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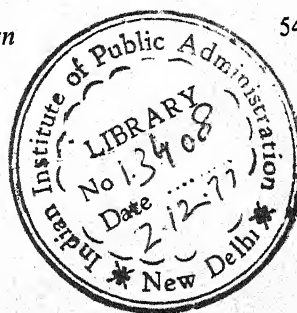
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NO. 1

CONTENTS

PAGE

Distributive Aspect of Urban Water Supply	— <i>Mohit Bhattacharya</i>	1
Management Control in Urban Electricity Undertakings	— <i>P.K. Ghosh and G.S. Gupta</i>	14
Public Policy for Urban Utilities	— <i>Abhijit Datta</i>	19
Citizens, Urban Administrators and "Executive Ombudsmen" in American Cities	— <i>Manindra Kumar Mohapatra</i>	27
Slum Improvement in Calcutta	— <i>Sudhendu Mukherjee</i>	46
Towards an Expanding Property Tax Base	— <i>K. Venugopal</i>	54
Judicial Decisions	— <i>M.K. Balachandran</i>	



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Distributive Aspect of Urban Water Supply

IN a closed system perspective, one can consider the modalities of distribution of civic services in an urban area as if it is a purely local issue. Such insular vision is untenable in a situation where national planning is seeking to deal with problems at all levels—national, regional and local. Also significant ideological shifts at the national level serve to integrate levels of Government in a bid to fulfil the promises of ideology.

The purpose of this paper is to call attention to the equalitarian trend in public policy in recent times and to relate this shift in public policy to the delivery of essential civic services in our urban areas. In this discussion, we wish to proceed from the general to the particular—from national planning and national objectives to city planning and urban programmes. The Draft Fifth Five year Plan accepted removal of poverty as one of the strategic goals and it was acknowledged that a large proportion of the population did not have “even the most essential needs of daily life”. The Draft Plan has expressed concern about gross inequality in consumption levels among different sections of the population and pleaded for “considerable reduction in the prevailing inequality in consumption”. Note what the Draft

Plan recommended unequivocally pursuit of the general objective :

“Our professed goal of removal of poverty requires that the growth strategy must seek not only a higher rate of growth than observed in the past but also reduced inequality in the distribution of income and consumption. The composition of growth must be such as favours the rural and urban poor. This calls for efforts in several directions. The pattern of production must lay emphasis on food and other articles of mass consumption. There must be massive employment generation which will sustain and will be sustained by greater availability of wage goods. It is also essential to augment social consumption and investment with a view to maximising the efficiency and productivity of vast numbers as well as to improve the quality of their life. The institutional reform and the fiscal policy must be oriented to reduced inequality alongside increased productivity.”¹

In keeping with its basic objective, the Draft Plan has included a national programme of minimum needs (Chapter 8). For the urban poor living in slum areas, there is a scheme for environmental

¹Government of India, *Draft Fifth Five Year Plan, 1974-79*, New Delhi, Planning Commission, Vol. I, p. 8.

improvement intended to provide "minimum condition for health to the various sections of the urban population" by expansion of water supply, sewerage facilities, paving of streets, and the provision of community latrines, and so on.

At the national level, the Prime Minister's recently announced 20-point programme has further reinforced the aggressive national policy to intervene decisively in processes of socio-economic development. The programme is distinctly oriented in favour of the disadvantaged sections of the community who have long been deprived of the fruits of development.

It is in this larger context of national concern for speedy amelioration of the living condition of the under-privileged section that urban planning in general and the delivery of urban facilities in particular have to be considered today.

URBAN PLANNING

Read any city master plan—and there are plenty of them available now—the common theme in the documents is the gradual deterioration in the urban infrastructural facilities. All the big cities are experiencing population growth and are unable to cater to the demands of rising population. Slum areas are ubiquitous; water supply is invariably irregular and insufficient; roads, education and public health facilities are everywhere in short supply. Almost all the master plans point out the existence of a sizable economically disadvantaged section—about a third to a quarter of the total urban population. Commenting on the housing situation in the Calcutta metro-

politan District the Calcutta Plan (Basic Development Plan) has this to say :

"The distribution of housing space is similar to that of income : a relatively small minority at the top have a disproportionately large share. This means that the majority are living at standards far below 40 square feet per person. It must be remembered also that this latter group is not composed solely of single men. Countless families also are forced to live in unbelievable congestion in one room, under intolerable conditions of sanitation and water supply."²

Urban poverty is a grim reality in all our urban areas; yet the kind of urban planning that we have been practising helps very little by way of social intervention in eradicating poverty. Our city plans have usually favoured the economically affluent in the urban areas and their impact on the disadvantaged classes had generally been negative. The distribution of urban facilities and services has gone in favour of the urban rich, and so has the spatial design of the city. So, the poor have to travel longer distances to come to work places. Civic facilities like roads and water supply and drainage and sewerage facilities tend to go down in quantity and quality as one moves away from the urban core and the posh localities. Economically, this has affected the urban poor adversely. From the public health point of view, to deprive the urban poor of essential community facilities like water is to endanger the health of the entire urban community, when an epidemic breaks out in the city, it does not discriminate between the rich and the poor. In the absence of water and drainage and sewerage

²*Basic Development Plan, Calcutta Metropolitan District (1966-86), Calcutta Metropolitan Planning Organization, Government of West Bengal, 1966, p. 28.*

facilities, localities are exposed to gastrointestinal and other communicable diseases, which need to be fought by allocating more funds for medical and health facilities.

So far, the availability of essential community facilities in adequate quantity and quality has been dependent on the individual's paying capacity. Hence most people belonging to the economically weaker sections have been "priced out" of the urban market. In view of the national concern today for improving the condition of the disadvantaged and to stop gross inequalities in social consumption, fresh thinking is called for to ensure availability of minimum facilities and services for the large mass of urban poor. Good living has so far been the privilege of a microscopic minority. Can it be now looked at as an inalienable right of everybody? Is it possible to equalise, as far as possible, the consumption of essential social services in our urban areas?

DELHI'S WATER SUPPLY

The discussion above sets the background for our theme which is the distributive aspect of water supply with special reference to urban Delhi. The Delhi Master Plan (1961) is one of the few city plans which is remarkable, at least on surface, for its social concern. To quote the Draft Master Plan : "The task is to set and to implement minimum acceptable basic living standards for all to more closely equalise living conditions and community facilities..."

We will show that in spite of apparent equalitarian spirit the delivery of essential civic services in urban Delhi has been lopsided. So far as water supply is concerned, the trend seems to have been that the

areas inhabited by the more affluent sections have been enjoying larger share of the city's water supply while those areas where the economically depressed classes reside have generally been deprived of even the minimum supply. Thus, water which, like air, is an essential commodity for living has also been virtually cornered by the urban rich because of their higher income and (presumably) greater ability to influence decision-making in regard to spatial distribution of water in the urban area.

Before presenting the data on spatial distribution of water supply in urban Delhi, it might be pertinent to point out that the Zakaria committee (1963) on Augmentation of Financial Resources of Urban Local Bodies suggested, after fairly close technical scrutiny, consumption standards for water supply for different size classes of towns and cities in India. So far as the big cities are concerned (100,000 and above), the committee fixed the standard between 45 and 60 gallons per day per head. For a metropolitan city like Delhi, the standard fixed was 60 gallons per day. It will be quite sensible to question the methodology adopted by the Committee in fixing the water supply standards. We are not, however, going to challenge the standards. We accept these and next try to examine how in practice the different localities in Delhi have been actually enjoying the benefit of this essential community facility.

The Municipal Corporation of Delhi is the main supplier of water to different parts of Delhi. Due to tremendous population increase and dispersed nature of habitation, urban Delhi has been having supply of water both from surface and underground sources. Reportedly, nearly

40 per cent of the population get their supply from subsoil source and handpumps and the water quality is far from satisfactory. In the trans-Jamuna area, Shahdara depends mainly on tubewells or shallow-bore wells. Water supply is very unevenly distributed among the different parts of urban Delhi. Some parts like Shahdara and West zone within the Delhi Municipal Corporation get very meagre supply, whereas some other areas such as South Delhi and the areas within the New Delhi Municipal Committee and the Delhi Cantonment get perhaps more than what is their due in a metropolitan complex. Table 1 gives an idea about disparities in water consumption in different parts of urban Delhi. One can infer that the distribution pattern seems to have followed the income pattern of population. Economically weaker sections have not been receiving the bare minimum, whereas the affluent section has been getting more than the standard quantity of 60 gallons per day.

Misuse of water and water pilferage have tended to worsen the supply position. Millions of gallons of drinking water are understood to have been used daily for parks and gardens in some areas. At the instance of Special Audit in 1968, a survey was undertaken of water pilferage in selected areas. In one area, it was found that 23 out of 100 consumers surveyed had increased water taps without proper authorisation; in another area the comparable figure was 42 out of 50 properties surveyed. Numerous unauthorised connections were detected in the survey areas. With continuous increase in population Delhi's water demand has also been increasing steadily. During the Fourth Plan Period total water requirement was assessed to 282 mgd. for an

anticipated population of 47 lakhs, whereas installed capacity from different sources was only 143 mgd. So there was need to augment the supply by 138 mgd.

TABLE 1

Disparities in Water Consumption in Different Parts of Urban Delhi, 1973

<i>Areas</i>	<i>Per capita average</i>
MCD*	37 Gpd
NDMC† and Cantonment	90 Gpd
Shahdara and west zone	37 Gpd
South Delhi	67 Gpd
Sadar-Paharganj	48 Gpd

*MCD=Municipal Corporation of Delhi

†NDMC=New Delhi Municipal Committee

By the end of the Fifth Plan for an anticipated population of 60 lakhs, the demand would rise to 360 mgd. at the rate of 60 gpcd. The present capacity from different sources is about 203 mgd. If Okhla Water Works would have to be closed down because of its proximity to the discharge point at Barapullah Nallah, total capacity will come down to 197 mgd. only. An additional capacity of 265 mgd. is required by 1983-84. At the moment urban Delhi is looking for supplies across the borders from Haryana and Uttar Pradesh.

This brief account points out the urgent need for planned augmentation of water supply on the one hand, and planned use of the supply on the other to ensure equitable distribution among different areas and stop misuse and pilferage.

POLICY INTERVENTION

The problems posed in this paper are critical enough to evoke serious

thinking about planned social intervention in the process of water supply distribution, or for that matter, distribution of any civic service. It is not our purpose here to come out with cut-and-dried solutions, as none is available. Yet some broad suggestions can be made to initiate rudimentary thinking on how solutions can be found out. To start with, it is a truism that water is a critical element in shaping and sustaining habitation pattern. At the same time, the water resource endowment of an urban area is generally a fixed natural asset and not very elastic from the point of view of supply. Considering the relatively limited nature of water resource, one can think of an optimum population in an urban area which can be supported by the fixed quantity. In view of relative inelasticity of water availability in one location, the optimum population from the point of view of water use may be determined in advance. Restrictions will then have to be imposed on in-migrants so that the city population does not exceed the limit fixed on water availability consideration.

Disparities in water consumption between localities may be due to the layout design of pipes. It is also due to differences in paying capacity of residents living in particular localities. Since water supply is a costly venture, the supplying organisation does not ordinarily plan to extend pipe connections to areas where economically weaker sections live. At best, in some places public hydrants are provided to enable the poorer sections in a locality to get the supply on community basis. One would find a long queue generally in such instances where many families have virtually to scramble for water. At the other extreme, in rich

localities water supply would be in abundance in each residence. Costs of water supply have got to be recovered from the consumers as far as possible. But the dilemma is that in most cities the low paying capacity of a sizeable section of economically depressed population stands in the way of adoption of such public policy. Since the water authority is invariably a monopolist, what is feasible is a system of price discrimination whereby a certain minimum quantity of water per capita may be charged on uniform basis; but any amount drawn beyond it can be charged at progressively higher rates.

This might help in curbing undesirable consumption also. If it is possible to charge more for higher consumption at higher rates from the affluent sections in a city the revenue so earned might be used in extending a minimum quantity of supply at a very low price to the weaker sections of the urban community. An analogy can be found in land transaction by Development Authorities and Improvement Trusts. Usually some plots of land are sold in auction to the highest bidders and the money thus earned is used to subsidise land for the weaker sections.

This is a problem in fiscal equity. Since public expenditure decisions tend to distort the supply position in regard to essential civic services and affect locational distribution, such distortion needs be identified and corrected to achieve allocative equity in an urban area.

Some times mal-distribution stems from the decision-making processes in the city government/water supply authority. The more affluent class usually come to assume power in these organisations and naturally,

they tend to bend the organisation to their benefit. In a limited way, participation in the decision making process, say in a committee on water supply, by members of the economically weaker sections might correct this imbalance.

The distributional aspect of water supply is essentially related to the problem of income redistribution. The higher

level governments at the State and in the Centre have to lend support to the allocative function at the local level by way of substantial subventions. So long as there will remain a sizeable section of economically depressed population subsidisation of local services by higher level governments cannot but be inescapable.

Management Control in Urban Electricity Undertakings

THE purpose of this paper is to examine the management control systems which prevail in Urban Electricity Undertakings. Management Control Systems have been practised in Western countries for more than half a century although systematic thinking and formalisation of the framework of such control have taken place only since the end of the Second World War. Robert Anthony of the Harvard Business School and later of the Defence Department of the United States has done pioneering work in this connection¹, i.e., The Anthony framework starts with defining the role of management in what he calls "Strategic Planning", "Management Control" and "Operational Control". Strategic Planning is the process of deciding on objectives of the organisation, on changes in these objectives, on the resources used to attain these objectives, and on the policies that are to govern the acquisition, use and disposition of these resources. Management Control is the process by which the managers assure that these resources are obtained and used effectively and efficiently in the accomplish-

ment of the organisational objectives. Operational Control is the process of assuring that specific tasks are carried out effectively and efficiently.²

Management Control activities in this framework involve (1) Formalisation of the Long-range objectives, policies and to conform to time-phased programmes; (2) Short-term planning and budgeting; and (3) Measurement and evaluation of current performance against planned objectives. This framework presupposes a formal planning system within the management control function.

Two other dimensions have been added to this framework in more recent times, namely, ensuring the development of an organisational structure suitable to the system of planning and control, and identifying critical variables so as to make the process of control and reporting more specific.³

The effectiveness of management planning and control systems may thus be related to the following questions in the ultimate analysis:

- (1) In the organisational structure such that it defines authority

¹R.N. Anthony, *Planning and Control System: A Framework for Analysis*, Boston, Harvard University School of Business Administration, 1965.

²R.N. Anthony, et al., *Management Control System: Cases of Readings*, Homewood Ill., Richard D. Irwin, 1970.

³S.K. Bhattacharya, "Considerations in Designing Management Control System", *Economic and Political Weekly*, February 27, 1971. "Management Reporting Systems—Structure and Design", *Economic and Political Weekly*, May 29.

and responsibility in terms of the jobs to be accomplished, the costs and revenues of which are controlled by the responsibility centres concerned?

- (2) Are the corporate goals and objectives translated into time-phased statement of unit targets and based on the input-output relationship prevalent in the unit operations?
- (3) In their reporting system such that it can quickly diagnose deviations from the desired results, particularly in those areas which represent critical variables in operation?
- (4) Is the follow-up mechanism such that it ensures prompt remedial action by proper analysis, review and coordinated action?⁴

A management planning and control systems can be taken to be truly effective if the aforesaid questions can be answered in the affirmative.

The design of management control system suggested by Anthony and others was developed essentially in the context of private enterprises and manufacturing concerns. In the context of public sector electric supply undertakings the design of control systems needs to be specified in terms of the levels of management concerned with strategic planning, management control and operational control. The process of strategic planning is the responsibility of the Minister and Secretary of the government department and the Board of Management of the undertaking

concerned. Management control which includes formal time-phased planning is the responsibility of Board of Management, Chief Executive, the functional directors and/or departmental executives. Operational Control is the responsibility of supervisory and middle-level management who are incharge of the cost and responsibility centres.

The Electric Supply Undertakings constitute a special category of public enterprises/utilities and include private sector enterprises as well. Their organisation varies from Municipal undertakings at one end to Electricity Boards at another, as well as private licensee companies of different size and having different types of clientele. In the case of urban centred undertakings, the Municipal Corporation along with the statute governing the administration of municipalities have an important place in the organisational structure. Among various other dimensions of this organisation, the political dimension has an important bearing on the management particularly in the case of close knit local political forces. In the private sector, the modalities of administration are determined to a great extent by the provisions of Electricity (Supply) Act, 1948, and the financial provisions embodied in schedule VI of the Act. The provisions of 'reasonable return' linked up with bank rate and capital base computed specifically in accordance with the schedule, and the excess of earnings being divisible among customers, share-holders and contingency reserves—taken together have put management in the private sector

⁴S.K. Bhattacharyya, "Evaluating the Effectiveness of Management Planning and Control Systems", *Economic and Political Weekly*, November 27, 1971.

electricity companies in some sort of a straight jacket. The incentives for cost reduction and cost saving are reduced on account of this factor.

The management control system which is designed and operated in an electricity undertaking has to be evaluated in terms of various special dimensions besides those which are relevant in all economic activities.

SPECIAL FEATURES OF URBAN ELECTRIC SUPPLY

Urban Electric Supply Undertakings have unique characteristics. These undertakings are not amenable to the tools of control which are traditionally applicable to other types of economic enterprises. For instance, the concept of 'Return on Capital Employed' or 'Return on Investment', cannot be regarded as indices of managerial performance in the case of electricity companies. For one thing, electricity rates are fixed in the light of the essentiality of power supply and the monopoly character of these undertakings. Besides, there is a certain distinction made in law between electricity undertakings run by state or local authorities and those which function in the private sector. The return on investment guaranteed under the Electricity Supply Act, 1948 to the latter undertakings is a 'reasonable rate of return' on a 'Capital Base' derived in a specific manner. This cannot *ceteris paribus* be taken to apply to the former category. However, the compulsions of rising costs and other operational parameters apply equally to both private as well as public sector undertakings.

A third feature which distinguishes Urban Electric Supply Utilities from the

non-utilities is that the expanding public sector has different kinds of implications for the private and public sector utilities respectively. While both are regulated monopolies, they have to deal with other state monopolies like, for instance, the Steel Authority of India Ltd. (SAIL), Coal Authority of India Ltd. (CIL), and semi-monopolies like the Bharat Heavy Electricals Limited (BHEL). Electricity companies in the private sector until recently have been dealing with suppliers of inputs in the private competitive market and were attuned to a certain cost calculus which have very considerably changed due to the emergence of public enterprises in certain areas. The Electricity Undertakings run by municipal or local authorities on the other hand find their financial results to be immune from scrutiny on account of the dealings with public sector suppliers. For instance, the supply of coal to power houses was previously subject to penalty clauses in terms of the quality and extent of transit losses. The coal supplies at the power house premises could also be regulated so as to avoid deterioration and loss of thermal capacity in coal dumps. The CIL which now regulates the terms and conditions of coal supply does not permit any selection of grades of coal suitable to boilers of particular age and efficiency, and more importantly does not permit any control over the quality supplied and loss in transit.

ORGANISATION AND MANAGEMENT OF URBAN ELECTRICITY

The role of key managerial personnel in any control system depends primarily on their commitment to the objectives of the organisation. The study of a public sector undertaking made

by the authors reveals that the executives are by and large on deputation from their substantive posts in a Ministry or Government department. The deputed executive is found to change at intervals of 3-5 years, if not less, and to that extent the continuity of direction and initiative are pathetically lacking. On enquiry, it was found that selection of personnel for top executive positions has been often subject to political and other influences rather than their competence or managerial ability.

Secondly, the professional and working background of key personnel, e.g., F.A. and C.A.O., are completely ignored when decisions are made for deputing individuals to occupy strategic control position in these undertakings.

Under these conditions, the nature of management slack which prevails in public undertakings tends to be explained away on the ground that the management is saddled with parameters most of which are virtually beyond their control. On the other hand, the private sector electricity companies are under continuous pressure cost saving to be able to meet the expectation of their share-holders, and find themselves being squeezed between the terms imposed by the Electricity Supply Act and those which they have to accept in their transactions with public enterprises.

The surprising feature of the control mechanism in electricity undertakings in the public sector is that there is no accountability measured except through the ministerial and/or municipal control provided for under the respective administrative rules.

In the same context, there is wide scope for political interference in the sense that

any revision of tariff may be registered by the representative of the electorate having a vital interest in protecting his constituency from higher rates, even if it is a marginal increase. Otherwise, there is no reason why there should be staggering difference between tariffs prevailing in different urban areas in the country. It is conceded that uniformity of rates cannot be established without taking into account the income levels of consumers. We wonder why there should not be rates for power consumption related to the income level of different categories of consumers. This will perhaps be more consistent with the policy of reducing the inequalities of burden, satisfying the criterion of 'ability to pay' and above all be conducive to the cause of social justice.

A third aspect of management of urban utilities in the public sector is the conflict between technical (engineering) personnel and purely administrative managerial cadres. In the organisational structure, they are very often placed at different levels of hierarchy with the result that one who is supposed to check on another's performance finds that he can be defined by the other occupying a higher organisational rank. A specific example which came to our notice in the case of a public undertaking was that of the Chief Engineer being placed at a higher level relatively to F.A. and C.A.O. An equally untenable position was observed in another undertaking where the financial controller cannot report on irregularities except routing it through the Chief Executive and for certain matters, he was supposed to check on the decisions made by the Chief Executive. Another example of this order is that of the Controller of Stores being organisationally independent of the F.A. and C.A.O. Behind the aforesaid conflict

between the higher technical personnel and administrative officers, there lies the varying pulls of the long drawn controversy of the 'generalist vs. the specialists'.

Management slack referred to earlier is perhaps partly due to a completely unplanned system of manpower planning including particularly the training arrangements for personnel and their placement in the organisation. For instance, we have come across instances in which employees selected for specialised training (at heavy cost both financial and otherwise) in system-analysis have been placed on completion of their training in departments having nothing to do with the application of the skill. It is worthwhile noting that manpower planning is by and large ignored in both private and public sector undertakings.

Ad hocism in promotions particularly at middle and higher levels of management is yet another bane of the management control system. There are instances where Assistant Engineers have been promoted to become Superintending Engineers on *ad hoc* basis, formalities to be completed later on, which in practice were never completed. According to administrative convention, such appointments need to be regularised within three years. If it is not done, the employee concerned is reverted to his original position, creating a problem of employee morale. It would be in the best interest of the organisation, if regularisation is made conditional to efficiency of the employee. There is, however, no system of efficiency audit not any systematic employee appraisal to assure the incumbent that regularisation will depend on merit. Indeed, people have carried an impression of possible

reversion of such an incumbent, and call it a 'snake and ladder game'.

Financial control is recognised as an important tool of control in the management control system. The executive in public sector undertakings seems to have a notion that availability of resources is not a constraint particularly where power shortage looms large in the economy. It is thus found that there is considerable looseness in expense budgeting in general and stores management in particular. This looseness is evidenced by the fact that the annual budget is approved as long as after three to six months from the commencement of the budget period so that expenses budgeted for and the resources assumed to be forthcoming are fate accomplished and the revised budget is almost of a foregone conclusion. This could have been acceptable provided the guidelines for budgeting were streamlined and required justification for the proposals to be enumerated on the basis of the objective efficiency criteria. This unfortunately is missing.

MANAGEMENT CONTROL IN URBAN UTILITIES

It would be clear from what has been stated above that the organisational structure and other related variables are not consistent with the system of control and reporting for effective management. Strategic and formal planning which are practised happen to be haphazard so that time phased statement of foods and objectives in the light of long run objectives and policies, as well as formulation of annual plans and budgets and fixation of unit targets have not much significance. The reporting system which prevails for evaluating the budget plan is in the nature

of post mortem with a considerable time lag. Even this does not have any bite because there is not scientific basis for budgetary planning and standardising of operation and expenses. No wonder the follow-up mechanism is far from ensuring prompt remedial action.

There are no doubt serious problems and difficulties of scientific planning and target setting, e.g., the estimation of demand for power which depends on forecasting urban growth in population and industrial activity. Electricity undertakings made use of extra population of the average growth demand in the past as a rough approximation of demand for future. If such a method proves to be alright in the short run, generation and transmission facilities can be stretched to cope with the demand. However, the possibilities of stretching generation and transmission may soon be exhausted. Besides, even the simple forecasting techniques need to be continuously reviewed in the light of experience, for which technical expertise must be available, if necessary, developed. It was discovered by the authors that the availability of such expertise is highly restricted and there is little thinking on better techniques of forecasting which may be used in estimating demand. It is somewhat gratifying to note that the application of statistical regression analysis has been tried in some cases and the results so far seem to have confirmed that the estimates come to be the same as derived from extrapolation of past demand. We would like to point out, however, that the regression analysis, if any attempted, is dependent upon the nature of independent variables taken into account and the co-efficients, which are considered to be appropriate. Further, our

information is that the demand estimation is made only in terms of aggregate demand without a break down of the aggregate into demands for domestic industrial (low tension and high) tension and commercial power supply. This results in making supplies available on a 'first come first served' basis which naturally have nothing to do with priorities and essentiality of needs. This also provides ample scope for favouring particular consumers and distributing patronage by sanctioning authorities on grounds other than socio-economic considerations.

A common observation which can be made on the basis of general study relates to the management of inventory in electric supply undertakings. We have already referred to the notion prevailing about the availability of resources for current purposes. This has resulted in overstocking in many such enterprises. Apart from slow moving stores, various other items are known to be held in inventory far in excess of the maximum level which could be determined by applying the well-known techniques of materials management. It is high time to do the kind of exercise which Tandon Committee has recently done in respect of bank financing of inventories in manufacturing enterprises. In the case of private electricity companies, overstocking has been sometimes imposed due to government policies following the excess production of such items as coal, whereby these undertakings are obliged to hold stocks beyond reasonable limits. We have already pointed out that coal dumps are subject to loss of thermal capacity as well as bulk breaking and pulverisation, and reduces not only the generating capacity but also increases

the cost of boiler maintenance under certain circumstances. It should be possible for different government departments to co-ordinate policy making in this kind of national enterprises.

A commendable policy adopted by certain private sector undertakings is that of arranging staggered supply of spare parts and similar items of stores from the manufacturers, and/or arranging the latter to hold stocks of standardised items on behalf of the undertaking. It appears that public sector electricity concerns do not have such a policy so far in operation.

Financial control by and large is exercised with greater intensity in the case

of private undertakings. This is basically in view of the financial provision of the Electricity Supply Act. However, the constraints of these provisions lead to certain situations where financial planning is rendered difficult. For instance, a licensee undertaking is permitted to seek approval for raising its tariff in keeping with the rising costs and earning reasonable rate of return. Such approval has to be sought six months in advance. Sometimes, rebate has to be granted to consumers on the basis of a 'Surplus, above the statutory return earned in a particular year while a notice is also served for raising the rates for the ensuing year.

Public Policy for Urban Utilities

THE importance of public utilities in the daily life of an urban community is selfevident. Yet, in many cases, the policies that many of the utility undertakings pursue are divorced from the peculiarities of community needs in individual urban areas. In the West, municipal utilities and urban utilities are synonymous terms, where there is an identity between municipal policy formulation with the policies of individual municipal undertakings. In India, barring water-supply, other urban utilities are mostly organised on a state-wide basis, resulting in the lack of coordination between the utilities and civic services. The problems arising out of inadequate linkages between urban interests and policy formulation in urban utilities is the main focus here. The examples of urban utilities are limited to three specific utility services, viz., water supply, transportation and electricity. The urban interests have been examined from the angles of organisation, pricing and distribution of utilities.

ORGANISATIONAL ISSUES

The organisational problems of the three urban utilities are somewhat different. In the case of water supply it is desirable to unify the production and distribution responsibility in a single authority primarily because of the need to use water for public health and safety (fire-fighting) purposes. In all major urban areas, water-

borne sewage is the most convenient way of disposing the city sullage. Also, creation of a water-supply system calls for simultaneous expansion of drainage facilities which the citizens are not willing to pay for directly. Because of the joint production of water and drainage facilities, it is logical that their operation also should be concentrated in a single organisation. Only in cases where the source of water lies far outside the city limits, as in Bangalore, is there a case for separating the collection and distributing responsibilities. In the larger metropolitan areas, consisting of a number of municipalities, there is need to plan and operate an area-wide water and sewerage system. This could be achieved through joint action of establishment of an area-wide water-cum-sewerage authority.

Urban transportation poses a different discussion of organisational problem. Due to the possibility of alternative modes of transport, the monopolistic nature of the utility is somewhat diluted. In all cities, public transport has to compete with private transport means, like, the automobile, scooter, bicycle and also an intermediate variety of semi-public transport system, like, chartered buses; motorised auto or cycle rickshaws; taxis—exclusive or shared, etc. Here there is an effective alternative in privatisation of transport system. Depending on the road pricing and licence fees and policies, private transport may effectively compete with or supplement

public transport system. Within the public transport system, again, there is some degree of competition between suburban railway and bus transport. Because of the existence of different modes of transport and the need for ensuring a cheap means of mass transportation, it is necessary to plan and coordinate all public transport in an urban area by a single transport authority, especially in the metropolitan areas. Here the wider interests of the national railways and State transport undertakings will have to be effectively reconciled to the needs of specific metropolises. As in the case of water supply, an area-wide authority seems best suited to the tasks of metropolitan transportation.

The case of electricity undertakings is again very different in nature. As in water supply, electricity undertakings are monopolistic in nature and it is possible to separate the production and distribution functions. But the optimum planning area for electricity is much wider. Where it is developed in a regional and national grid, the production responsibilities naturally gravitate to central authorities covering more than one state. At the moment, the electricity undertakings organised on a state-wide basis operated by state electricity boards. But there is hardly any attempt to separate production, bulk supply and local distribution. This has the unfortunate consequence of over centralisation in administration and unresponsiveness to local demand. It is both feasible and desirable that distribution of electricity be organised in locally viable units and made to respond to local needs.

The relevance of municipal authorities becomes obvious in this context. Water-

supply seems destined to remain in municipal jurisdiction, except where the bulk supply is to be organised away from the urban areas. In the metropolitan areas, till an area-wide government is established, water and sewerage undertakings might be organised for the entire metropolis with municipal participation for local distribution. In the case of public transportation, however, only a metropolitan-wide authority would be able to plan and coordinate the various transport systems. In the smaller cities, privatisation of passenger transport seems an alternative to State enterprises. In any case, the State Government has enough powers of regulation and control of passenger transport to ensure minimum facilities and adequate level of fares. In the case of electricity, there seems to be a need to separate the production and bulk transfer functions from local distribution. Ideally, distribution of electricity in the urban areas could be the responsibility of municipal authorities. In the bigger urban concentrations, separate distributing agencies might be established for electricity supply.

PRICING POLICIES

With regard to the pricing policies too the urban utilities vary a great deal, leading to differences in financial performance. This is true even internationally. As late Prof. Hanson remarked : "A water enterprise, normally aims at breaking even, but there is certainly no objection to its showing a loss if social objectives are thereby served. As for public passenger transport in cities, a municipality will usually consider itself fortunate if it succeeds in breaking even, for the obstacles to the making of a profit

in this type of enterprise are . . . considerable. However, the subordination of transport services on social grounds is often more than legitimate; it is absolutely necessary. Only in electricity, therefore, can profitability be regarded as a reasonably attainable aim."¹

The Indian experience also confirms this trend, but here the weightages are somewhat different. In the case of water supply, the practice seems to be a stickiness with regard to water rates, with emphasis on relying on general taxes for meeting shortfalls in revenue. In city transportation, the losses incurred seem to be more due to managerial inefficiency, rather than a conscious attempt to subsidise the service. This is more pronounced in the case of State electricity undertakings where the rate of return on capital is far short of the minimum stipulation of 11 per cent. Potentially, therefore, there is a possibility to improve the finances of all the urban utilities in India even with the existing level of rates but with improvement in management. What is striking in this context is that the State enterprises in transportation and electricity have not achieved better results than the much maligned municipalities for supplying water below cost.²

We would now examine the special problems of pricing the three urban utilities in the Indian context and offer alternatives for improvement.

In the case of water supply the largest pay-off would perhaps come through metering water connections and charging differential rates for domestic, commercial

and industrial purposes. If treated water, but not filtered, could be supplied for agricultural purposes also, it would reduce the demand for filtered water supply. The local municipality would have to arrange for community taps, street hydrants, animal draughts, etc., out of the revenue derived from the water tax. Where there is a sewerage system, water charges must include a separate charge for sewer connection as well, depending on the proportion of used water recycled—usually this is about 40 per cent of the new water. Similarly, water tax ought to cover the costs of drainage system as well. The water tax and the water charges together should cover the cost of urban water supply, drainage and sewerage. This, however, is not the situation in our urban areas and improvements are needed first, in the direction of raising the water tax and water charges substantially, and secondly, in adjusting the rates on the basis of use. Since both taxation and fees are to be imposed to finance water supply and sewerage it is logical to place the service in the hands of an elected authority, like the municipality. Alternatively, the production aspects could be transferred to a statutory authority, leaving the distribution to the local government.

In the case of urban transportation the experience in India shows a reluctance on the part of the public transport authorities to impose realistic fares. Failure to do this has the effect of limiting expansion of service and, under pressure, to allow private alternative modes to

¹A.H. Hanson, "Utilities in Metropolitan Areas" in Simon R. Miles (ed.), *Metropolitan Problems: A Search for Comprehensive Solutions*, Toronto, Methuen, 1970, p. 114.

²India, *Report of the (Sixth) Finance Commission*, 1973, New Delhi, Government of India, Chapter XIII.

appear. This results in a dual system for transportation—the private and more expansive alternative is preferred by the well-to-do and the subsidised but limited public service cater the poor. It is desirable to eliminate this quality by facing the political consequences of fare revision or handing over this system to private operators. In the metropolitan areas, the suburban railways will have to be subsidised for commuter travel and it is reasonable to expect that the subsidy should come from a general tax in the metropolitan area. In Calcutta, for instance, a part of the metropolitan entry tax could belong to the suburban sections of the eastern and south-eastern railways on the same principle of apportioning a part of the tax proceeds to the Calcutta metropolitan development authority.

In electricity-supply major reform in tariff would come through rationalising the differential rates for different purposes. More specifically, high tension industrial tariff might be substantially increased and the ordinary domestic rates are lowered in the urban areas—as suggested by the Venkataraman Committee (1964). Subsidisation of rural electrification is apparently an avowed objective of most State Governments. If this is so, the quantity of subsidy should come from the State budgets and not by penalising other consumer groups. If distribution of rural electricity is placed under a separate State-wide authority, this could be achieved more easily. Urban electricity supply could then be organised for individual urban concentrations.

DISTRIBUTIONAL ASPECTS

Distribution of utilities is linked up with the distribution of other public

services in an urban area. Failure to recognise this has resulted in proliferation of separate undertakings under diverse auspices, with the consequent lack of coordination in planning and operating the urban public sector. Not infrequently, municipal services need to be provided in concert with urban utilities as well. Where these are organised under the same municipal auspices, the problems of administrative and political coordination are obviated.

There is also the need, as we have seen, of subsidising particular segments of the urban dwellers in respect of basic utility services. This is particularly true under Indian conditions due to poverty and the existence of a large informal sector within each city. Such subsidization could be done effectively only by the State Government and, to some extent, by the municipal authorities. To expect this basic government function to be discharged by the public utility undertakings is to distort their finances and encourage financial irresponsibility. If the consumers feel that they are not being penalised for somebody else's free enjoyment of a utility service, there might be greater willingness to pay enhanced charges. Quite often, however, this is not the case. The problem is compounded when the resistance to increase charges assumes a political colour and the public utility undertakings are not allowed enough freedom to function in a businesslike manner. The remedy here is not to pass the political buck to these enterprises, but to face the political issues as problems of governance.

As in other developing countries, in India also there is a pronounced shortage of basic urban public services, including

utilities. The need, therefore, is more of availability of these facilities in time and in adequate quantity to a large number of consumers. Due to shortages, it might be necessary to ration the supply to the community. In administering such a rationing system, the utility undertaking must take adequate care to see that at least the essential needs of the community are met first and the services are available to those who need these most. Domestic water and electricity supply would have greater priority than industrial users. Commuter travel during peak hours in public transportation system must be met even at the cost of slight inconvenience to passengers by, say, introducing special buses for standing passengers, etc. Also, public hydrant and standposts in water supply and street lighting must be maintained adequately before priced services are supplied.

In the planning of utility services it is necessary to take into account the costs of alternative urban design. Quite often the growth of the city is in conflict with the requirements of cheap extension of utility services. To the extent possible, existing

capacity utilisation of urban utilities needs to be achieved through densification rather than dispersion. Similarly, the costs of vertical expansion of the inner city are to be compared with costs of spreading out, if it means obsolescence of existing utility capacity. What is important is to take a broader social cost-benefit viewpoint in planning urban utilities, rather than what it would cost any individual undertaking and what revenues would be generated to it. The element of a subsidy, if any, could be explicitly provided for by the Government.

Citizen-satisfaction is another dimension of public utility service. From this point of view it may be necessary to obtain regular feedback from citizens' groups regarding the distribution of utility services. If there are zonal offices of utility undertakings where the citizens might lodge complaints or pay monthly charges, it would mean better public relations and, consequently, lower rate delinquency for the utilities. These citizens' groups could also be approached for their suggestions for determining supply priorities, fixation of rates and future planning of utility expansion.

Citizens, Urban Administrators and "Executive Ombudsmen" in American Cities

MOST studies on urban public administration deal with the internal dimensions of administrative process.¹ In recent years, the external relationship of public administration has gained some saliency in the research priorities of the students of public bureaucracy.² Such external relationships may include different things. The relationship between the administrative system and its potential members could be one such aspect.³ The interaction between the elected politicians and the professional public administrators at different levels may be another research problem for scholars who are interested in the external behaviour of bureaucracies.⁴ The patterns of interactions associated with interest group-bureaucrat relation could also be a dimension of such analysis.⁵ The multifaceted rela-

tionship between the citizen and the administrator has also become a significant area of scholarly analysis.⁶ This paper will primarily focus on this aspect of urban administration and examine a specific problem in this area. This problem centres around a rather pervasive phenomena—handling of citizen initiated complaints in administrative systems.

CITIZENS' COMPLAINTS ABOUT URBAN ADMINISTRATION

A number of conceptual frameworks have been suggested in the literature to analyse the characteristics of urban bureaucracies.⁷ In this paper, we propose to adapt Lipsky's construct of "Street-level Bureaucracy" in analysing urban bureaucracies.⁸ He suggests

¹For a select bibliography of major studies in Public Administration, see Howard McCurdy, *Public Administration: A Select Bibliography*, Washington, D.C., School of Public Affairs, American University, 1973.

²Some studies in this area include the following: Herbert Jacob, "Contact with Government Agencies", *American Journal of Political Science*, (1972), pp. 142-152.

³John B. Miner, "Changes in Student Attitudes Toward Bureaucratic Role Prescriptions in the 1960", *Administrative Science Quarterly*, (September, 1971).

⁴A recent study in this area is by Robert N. Sparado, "Role Perceptions of Politicians vis-a-vis Public Administrators", *Western Political Quarterly*, (December, 1973), pp. 717-725.

⁵Robert S. Friedman, "The Administrative Agencies and the Publics They Serve," *Public Administration Review* (September, 1966).

⁶For a conceptual framework, see Samuel J. Eldersveld, et al., *The Citizen and the Administrator*, New Delhi, Indian Institute of Public Administration, 1968.

⁷Virginia Ermer (ed.), *Blacks and the Bureaucracy*, New York, Crowell, 1972.

⁸Michael Lipsky, "Street-level Bureaucracy and the Analysis of Urban Reform," in Virginia Ermer (ed.), *op. cit.*

three major stresses confronting such administrative systems : (1) inadequate resources; (2) constant challenge to their authority ; and (3) ambiguous role expectation.⁹ These problems of urban bureaucracies are rather widespread. Rapidly expanding arenas of urban administration provide greater contact between the urban residents and their local bureaucracies. Such contacts might take the form of police and citizens, welfare recipient and welfare worker, public housing manager and public housing resident, and a wide variety of other relationships. In other words, the average urban resident today has many more points of contact with the urban administrator. The magnitude of such contact is increasing further. However, the general level of civic satisfaction with the quality of services provided by the urban administration is probably declining. There are significant problems associated with the objective measurement of civic satisfaction about governmental services.¹⁰ Despite such methodological problems there is adequate evidence to suggest that the average urban resident today has a negative orientation toward the public administrators in the urban communities.¹¹

One such area of dissatisfaction with urban bureaucracy lies in the area of

"complaint-handling."¹² Civic complaints about urban bureaucracies may originate due to a wide variety of reasons. Quite often a sizeable proportion of such complaints are unjustified at least under the existing legal framework within which the urban administrators are expected to operate.¹³ However, a major problem associated with these civic complaints is that inordinate delay occurs between the receipt and disposal of citizens' complaints. This time lag may be attributed to what one urban administration conceptualises as "Bureaucratic noise".¹⁴ Most citizens as individuals resent such delay and tend to characterise the urban administrative systems as "red-tape", "unresponsive", "inhuman", and "inefficient".¹⁵

This suggests that a significant problem of urban bureaucracies is the need for effective handling of citizens' complaints, be it reasonable or not. Any unreasonable time lag between a citizen-initiated complaint and its disposal is likely to tarnish the perception of bureaucracy among its urban clients. Even unreasonable complaints deserve early disposal as do the legitimate complaints. When a legitimate complaint is disposed of in favour of the complaining citizens after a long delay the citizen concerned may still be dissatisfied due to the delay. This suggests

⁹ Michael Lipsky, *op. cit.*

¹⁰ International City Managers' Association, *Measuring the Effectiveness of Basic Municipal Services*, Washington, D.C. ICMA, 1974.

¹¹ Tim Ryler, "The Processing of Citizen Complaints in Local Government", a paper presented at the 1974 Annual Meeting of the Southern Political Science Association.

¹² *ibid.*

¹³ For example, see Forrest Green, "Preliminary Report to Detroit City Council by Office of Ombudsman", January 1973.

¹⁴ City of Dallas, *Action Center Program Information Packet*, Dallas, Texas, city of Dallas Action Center, 1975, pp. 1-3.

¹⁵ Walter Gellhorn, *When Americans Complain*, Cambridge, Harvard University Press, 1966, pp. 151-153.

the need to explore administrative mechanisms for more effective ways of handling citizen complaints.¹⁶

COMPLAINT-HANDLING IN URBAN COMMUNITIES: A COMPARATIVE PERSPECTIVE

Prof. Gellhorn, in a decade-old study of complaints in American cities, concluded by saying, "most municipal complaints have to do with deficient service rather than with exercises of official power or discretion".¹⁷ A review of urban residents' complaints in 1975 also continued a similar typology for most civic complaints about American urban bureaucracies.¹⁸ The elected city officials in American cities have often accepted the role of "troubleshooter" on behalf of the aggrieved citizens.¹⁹ At least one national study had documented this role of the City Councilman in America.²⁰ This utilisation of elected municipal officials by the citizens for the purpose of solving their personal problems in dealing with the City Halls is comparable to such activities of the elected officials at the State and the national levels.²¹ However, unlike the national legislators, most of the municipal

legislators lack resources that might permit effective handling of citizen-initiated complaints. It seems likely that such a channel for handling civic complaints may neither be universal nor readily accessible to most citizens who have complaints.²² Further, given the socio-economic composition of City Councils, the urban ethnics and poor may be at a distinct disadvantage in utilising their councilmen as an effective channel for handling their complaints about the City Hall.²³

Another somewhat comparable mechanism through which some urban residents might channel their complaints is through a political office. Describing the role of the borough president in New York city, Gellhorn says, "shorn of most of their administrative duties over highways, public works, and sanitation, the five nevertheless retain some significant legislative and advisory functions. More and more, however, they have simply become intermediaries of groups and individuals who brush against government".²⁴ Occasionally a political party or citizen activist group may also function as a complaint-handling mechanism for the

¹⁶Walter Gellhorn, *op cit.*

¹⁷*ibid.*

¹⁸See footnote 13.

¹⁹See this author's "Attitudinal Orientations of Urban Legislators Toward Ombudsmanic Demands from Constituents", *Nagarlok*, (January-March, 1973).

²⁰Robert Barret and Douglas Harman, *External Relationships of City Councils*, Washington, ICMA, 1975.

²¹T. Edward Weston, "The Constituents Need Help: Case Work in the House of Representatives," in Sven Groenning and Jonathan P. Hawley (eds.), *The Promise and the Power*, Washington, Acropolis, 1973, pp. 53-72; and Dean Mann, *The Complaint-Handling Procedure of Three California Legislators*. Berkeley, Institute of Governmental Studies, 1968.

²²*ibid.*

²³See this author's "Role Perceptions of Urban Legislators," *Virginia Social Science Journal*, (April 1973).

²⁴Gellhorn, *op. cit.*, p.162.

frustrated urbanite.²⁵ Recent years have seen the entry of urban news media into the arena of complaint-handling.²⁶ A number of urban newspapers have initiated columns like "Hotline", "Action Line", "Ombudsman", and such other titles. Such mechanisms are very diverse in their behavioural orientations. However, some such channels have proved to be an effective way of processing civic complaints about urban bureaucracies.²⁷

"EXECUTIVE OMBUDSMAN" IN URBAN AMERICA : AN EMERGING MECHANISM FOR COMPLAINT-HANDLING

Some years ago, the term "ombudsman" was viewed as a little-known foreign political institution that originated in the Scandinavian political culture.²⁸ Recent years have seen the proliferation of ombudsmanic institutions all over the world.²⁹ Such "export models" or ombudsmen greatly vary in their structure and behaviour. Executive ombudsmen is one such version. At different levels of American Government the "executive ombudsman" is introduced.³¹ Very recently the American urban communities have created "executive ombudsman"-like institutions.³²

Certain characteristics of the "executive ombudsman" make him somewhat different from the classical model as

developed in Scandinavia. Prof. Anderson contrasts "executive ombudsman" from the "Scandinavian version" primarily in terms of its legal origin, saying, "the Executive Ombudsman differs from his classical cousin in that the former is dependent upon the chief executive and serves at his pleasure, while a classical ombudsman, once appointed, serves for a fixed term, at least formally independent of the appointing agency."³³

A tabular presentation in this paper projects certain features of Executive Ombudsman offices in ten American cities. This represents the diversity of such offices. Most of the offices carry the familiar title of Ombudsman. In other cases, titles such as "Director of Human Relations", "Citizen's Advocate", "Director of Complaints", have been used. Their mode of appointment also indicates some diversity. In a few cases they are appointed by the City Managers. In the case of some others, city Councils and Mayors are directly associated. In the case of very few, citizen groups are also involved. Most of these offices were established after 1970. This probably explains the lack of any systematic study about the working of these offices.³⁴

The specific role of the Executive Ombudsmen in American cities may be different. One American city prescribes

²⁵Gellhorn, *op. cit.*

²⁶See this author's "Ombudsmanic Structure in an American Metropolis", *International Behavioral Scientist*. (September 1974).

²⁷*ibid.*

²⁸For an up-to-date survey of ombudsman literature, see Donald C. Rowat, *The Ombudsman Plan*, Toronto, McClelland and Stewart, 1973.

²⁹Kent M. Weeks, *Ombudsmen Around the World*, Berkeley, Institute of Governmental Studies, 1973.

³⁰*ibid.*

³¹Alan Wyner (ed.), *Executive Ombudsmen*, Berkeley, Institute of Governmental Studies, 1973.

³²Bernard Frank, *Ombudsmen Survey, 1974-75*, Allentown, American Bar Association, 1975.

³³Alan Wyner, *op. cit.*, p. 307.

³⁴Some studies in Alan Wyner (ed.), *op. cit.*, deal with executive ombudsmen in urban communities.

the role of its ombudsman as "successively fact-finder, analyst, translator, amplifier, mediator, persuader, and finally all else failing, public advocate for citizens".³⁵ In this section of the paper we shall propose an ideal-type role model for the Executive Ombudsman. In proposing this role model, we are cognisant of the fact that an Executive Ombudsman is basically an insider of urban bureaucracy. Unlike the classical ombudsman, it is extremely difficult for him to be primarily a public advocate. The role proposed for the Executive Ombudsman may be a more realistic behavioural model. However, this is an ideal-type model. (Given at the bottom)

This proposed role model for the Executive Ombudsman is not free from con-

ceptual or operational difficulties. From the conceptual perspective, an Executive Ombudsman needs to be a super-administrator to be effective in all of these roles. The operational difficulties may be numerous. However, it appears there is a need to evaluate role models like this one and examine its relevance on the basis of empirical data. Such data would permit the testing of propositions suggested. Alternate models may emerge as a result of such empirical examination.

It is necessary to obtain interview-based perceptual data from the incumbent Executive Ombudsman. Such data would indicate the extent to which the Executive Ombudsman perceive their role in the urban political system. Similarly, it may

ROLE OF EXECUTIVE : AN IDEAL-TYPE

<i>Role Typology</i>	<i>Behavioural Descriptions</i>
(1) Humaniser	He attempts to humanise urban administration. The aggrieved citizen may find in him a way to understand the human aspects of public bureaucracy.
(2) Lexicon	He may serve as a dictionary of city services. He provides information about whom to contact, when and how.
(3) Tracer	He may trace the process through which urban bureaucrats handle citizen problems. He unfolds the myriad of bureaucratic process through which the papers flow.
(4) Expediter	He may expedite the steps through which administrative actions follow. He can apply mild pressure to achieve this objective.
(5) Innovator	He is an innovator. He provides information about aspects of administrative process that may facilitate modernisation of complaint-handling process.

³⁵Ombudsman brochure published by Jackson County, Missouri.

also be necessary to obtain attitudinal data from "others" who are associated with the Ombudsmen including their appointing authority, their clients and their rivals in the urban system. It is quite likely that there may be perceptual differences between what the Ombudsmen are expected to do according to the legal prescriptions and their actual behavioural styles.

EXECUTIVE OMBUDSMAN : SOME RE-SEARCH QUESTIONS

Ombudsmanic institutions are at times viewed as a panacea for all worldly evils. In reality, this is far from truth. As Prof. Wyner has said, "Nor are optimistic assumptions made that even most effective complaint handling offices can bring about a fundamental reshaping of public policy priorities. No complaint office is going to solve the central city problems in which millions of poor Americans are caught. No form of complaint-handling office will find a way to strike an acceptable balance between the need to use our natural resources and the justifiable fear that their exploitation will lead to ecological suicide."³⁶ The fact is that Executive Ombudsman can do very little about behavioural change in public bureaucracies. If behavioural change and debureaucratisation are the objectives of a programme for administrative reform, then perhaps one should focus on the socialisation process of public bureaucrats.³⁷ An Executive Ombudsman could facilitate the process of complaint-handling which it appears

is a pervasive problem in most political systems.

Now we may proceed to raise a few interesting research questions about the working of Executive Ombudsmen offices in American cities. First, it may be interesting to examine the relative significance of the different modes of their original appointment. Are City Manager-appointed Ombudsmen more subservient to the public administrators than the City Council appointees? What about those whose appointments are recommended by citizen groups? Do they tend to be more representative in terms of citizen viewpoint? Perhaps there is a need to undertake systematic research about the relative effectiveness of different kinds of appointees.

Second, it seems very appropriate to ask questions about the citizens' orientations toward Executive Ombudsman officers. How do they perceive these officers as different from the classical City Councilman, Manager, or the Mayor? Do they continue to utilise their City Councilmen for the purpose of communicating complaints about urban bureaucracy? What sorts of citizens prefer to contact Executive Ombudsmen and what sorts of citizens prefer the other elected representatives?

Thirdly, a significant element of complaint-handling involves the urban poor. It is they who, in general, have the greatest need for an effective complaint-handling system. To what extent have the Executive Ombudsmen outreached such

³⁶Wyner, *op. cit.* p. 5.

³⁷For literature on Bureaucratic Socialisation, see Melvin Kohn, "Bureaucratic Man : A Portrait and an Interpretation", in Elihu Katz and Brenda Danet (eds.), *Bureaucracy and the Public*, New York, Basic Books, 1973.

PROFILE OF SOME EXECUTIVE OMBUDSMEN IN URBAN AMERICA *

<i>Cities</i>	<i>Title</i>	<i>Appointed by</i>	<i>Date of Initiation</i>	<i>Remarks</i>
(1) Atlanta	Ombudsman	Appointed by Mayor and confirmed by City Council.	May 20, 1974	Evaluation studies available. The office was instrumental in policy change.
(2) Dayton	Director of the Joint Office of Complaints	Appointed by a Board of Trustees made up of citizens and elected Officials	March 1971	A book-length work evaluating this office forthcoming.
(3) Detroit	Ombudsman	Appointed by City Council	September 1974	Evaluative data available.
(4) County of Jackson, Missouri	Director of Human Relations and Citizen Complaints	Appointed by a special commission which in turn is appointed by County Executive	January 4, 1973	Statistical data available.
(5) Lexington, Kentucky	Citizens' Advocate	Appointed by City Council upon recommendation by a Citizens' Committee	November 1972	Jurisdiction also covers Fayette County.
(6) Chesapeake, Virginia	Ombudsman	Appointed by City Manager	1971	Evaluative studies available.
(7) Columbus, Ohio	Ombudsman	Appointed by Mayor	1972	A volunteer programme exists in office.
(8) Salt Lake City	Ombudsman	Appointed by County Commission.	1973	Handles problems of senior citizens only.
(9) St. Petersburg, Florida	Ombudsman	Appointed by City Manager	1970	Statistical information available.
(10) San Jose	Ombudsman	Appointed by City Manager from a list recommended by Model City Commission	1971	

*SOURCE : Bernard Frank, *Ombudsman Survey 1974-75* (Allentown, American Bar Association, 1975) and brochures from individual cities.

underdogs of the urban society? Do the urban poor communicate with the Ombudsmen? Are they aware that such an office exists in their community? How effectively can they use a "hotline" or telephone number to communicate their problems? In other words, the nature of the relationship between the Executive Ombudsman and the urban poor is something that deserves closer attention.

Finally, it may be interesting to ask whether Executive Ombudsmen have reduced the complaint-handling work load of the City Councilman? This

question seems very important. It was often suggested that City Councilmen have very little time to pay attention to the policy-making functions for which they are elected. Complaint-handling is viewed as a dysfunctional phenomenon that deters them from their basic role of policy-maker. Such assumptions about the role of the City Councilman suggest the need to evaluate the impact of ombudsmanic offices upon their complaint-handling functions. All these unanswered questions about the Executive Ombudsmen and their impact upon the urban political process suggest an emerging agenda for systematic social research.

Slum Improvement in Calcutta

AN attempt would be made here to analyse the importance of social factors in urban planning and development, with Calcutta as a case study, with reference to the slum improvement programmes.

Even the very planning process in Calcutta started with the problems of slum population. As early as in 1969, the WHO analysed the health hazards from slum areas and prescribed a solution in the shape of a Master Sanitation Plan all over metropolitan Calcutta. The living conditions in the slums are abominable—water-supply and sewerage-drainage are virtually absent where 5 to 10 persons live in one small ill-ventilated damp room of a size hardly exceeding 120 sq. ft. and the same rooms become flooded during the monsoon, bringing the night soil into the bedroom and kitchen. According to the tenets of epidemiology, the germs of cholera, typhoid and dysentery breed in the service-privies which exist in the slum area. Infected night-soil percolates into pond-water, which is used by slum-dwellers for washing and bathing. The flies carry germs to the food, thereby causing epidemics of various enteric diseases. That has been the situation for generations. Added to these health hazards is the question of the three-tier tenure system in the slums, where landlords own the land, the hut-owners own the huts, built on leased land and the ordinary tenants have no rights.

But they constitute 90 per cent of the total slum population in CMD, which is roughly estimated to be 2.3 million. It is strange to observe that the Zamindari Abolition Act (known as Estates Acquisition Act) was not extended to the slum areas of Calcutta and Howrah in the earlier fifties, when it was extended to the whole of West Bengal. But the story is much more old. It goes back as early as to 1923 when Sir Surendra Nath Banerjea introduced the concept of slum improvement within the legislative grounds of the Calcutta Municipal Act. But since the power of the landlords was considerably strong in the civic life of the twenties and thirties, the Calcutta Corporation failed to implement the obligations of the Municipal Act in respect of slum improvement. The Landlords pleaded their financial inability to bear the costs of slum improvement. In fact, they were reluctant to improve the slums because of their expectations of high return if their unimproved slum properties could be sold in the open market. Just after Independence, it was the hut-owners, the middle-man between the landlords and the tenants, whose voices were heard and legally enacted in the shape of the Calcutta Thicka Tenancy Act, whereby thicka tenants were accorded security against eviction by landlords. While the thicka tenants were protected, the ordinary tenants were also indirectly protected. It took another 20 years before the CMPO, in charge of Calcutta planning, came out

with their programmes for slum improvement. Incidentally, the criteria of slum improvement were elementary—marginal sanitary benefits like sanitary toilets, water-tap, etc. The CMPO programme, however, envisaged a process of full compensation payment to the hut-owners and the landlords at the market rate. The procedure was legally cumbersome and fiscally expensive. The left wing Government in West Bengal was reluctant to pay such compensation to landlords and hut-owners and they enacted a revised version of the Calcutta Thika Tenancy Act in 1968, whereby the thika tenants or hut-owners were permitted to make the huts pucca, *i.e.*, brick-built, double-storeyed and with powers to bring in civic facilities like water-supply, sewerage, etc., after the necessary approval of the Corporation authorities. This amendment of the left-wing Government benefited the hut-owners and if the huts were really improved, the tenants would have been benefited also. But political crisis acted as a handicap to this process of development. Then came the CMDA in 1970 and the Slum Improvement Act in 1971. This Act, for the first time, empowered the Government to enter the property of the slum landlords for executing sanitary improvement works for the benefit of hut-owners and tenants. This slum improvement programme by the CMDA has been in operation for the last five years and the programme is still being continued. Today, with the 20-point programme for economic revival, the Government is finally decided on the question of putting a ceiling on urban property. If this is properly applied, then many of the slum properties in Calcutta and Howrah area would come in the hands of the Govern-

ment. But, it might appear paradoxical that the provisions of the slum improvement programme would fore stall any further development programmes in slums which have been approved by the CMDA for a period of 10 years. Now even if the Act on Urban Property Ceiling strengthens the hand of the Government for any kind of development activity in their (vested) slums, the provisions of the Slum Improvement Act act as a deterrent for any development for 10 years. This is a clear case of confusion on the part of the Government and planners about which social group to support, at what point of time, resulting in misplanning and wastage of resources.

In short, the *status quo* in the slum areas and the Government policies for a welfare programme and town planning and public health considerations sharply contradict each other. The consequences are far deeper—the programmes of child care and nutrition, primary education and family planning are also affected considerably. The analysis given in the subsequent pages sharply highlights the need for a re-appraisal of all the urban development concepts in a new light and perspective. In fact, a real understanding of the deep-seated social factors is of supreme importance in our development programmes for major metropolitan cities. But the interrelationship of different social factors and Government programmes is hardly understood and this is the crux of the problem in determining social indicators for slum improvement or any development programme for the urban poor of Calcutta.

The interrelationship between slum improvement, primary education, family

planning and child care and the social goals of urban development programmes could be crystallised into a synthetic whole and precisely this task of synthesis is missing in the urban development programmes. In Calcutta planning, the contradiction between physical planning and social planning is sharply revealed in the physical goals of sanitation planning. The WHO sanitation plan based its calculations on the probable population-increase by the turn of the century, *i.e.*, around 2000 A.D. The present population of Calcutta Metropolis is about 9 million (from the 1971 census estimate of about 8.3 million) and in 2000 A.D., which is 25 years hence, the figure might reach anything between 15 to 20 million. It is a dreadful figure, but there are a lot of fallacies ingrained in the idea; what are the major social, economic and political changes that one can visualise in the last quarter of the 20th century? Many outstanding changes might befall the entire globe or Asia or India and Calcutta, a leading international metropolis, cannot but be directly involved in this change reaction of changes and transformations. These changes would not only be technological but also social and political. Assuming such a background, it is not difficult to visualise a decentralised urban growth in and around Calcutta metropolis. Already the beginning has been made with Durgapur, Assansol and the Haldia complexes. Kharagpur, Burdwan, Farakka, Krishnanagar, etc. might also turn into modern metropolitan cities, with the prospects of modern agriculture, exploration of oil and gas in the Bay of Bengal and a revitalised industrial growth in Calcutta, Durgapur and Haldia. Such a prospect precludes a population explosion with Calcutta metropolis alone and

even if the explosion actually takes place, the planners have failed to delineate a strategy of poly-nucleated urban growth for Calcutta metropolis, whose total area is around 550 sq. miles, of which nearly 300 sq. miles are rural tracts consisting of about 500 villages. A decentralised development strategy would help in containing the large population figure in the coming decades. Unfortunately the present planning emphasis is centred in the metro-core area, where most of the sanitation programmes are located. A long time-bound sanitation programme in selected areas, geared to cover a huge population in the future is bound to distort the ongoing short-term programmes like the slum improvement programme, whose engineering design is qualitatively of a different kind than the high-technology, long-term network of the sanitation programme. Any analysis would reveal that population increase can occur by way of natural birth rate and through migration from rural areas. If rural areas improve, why will they migrate to cities, and if poor people accept family planning then why would population increase at an alarming rate? 'Why poor people would accept family planning' might only be answered if poor people got modern amenities of life and housing and some social services. These amenities and social services are euphemistically called in Government vocabulary as programmes for the economically weaker sections of the society, programmes like slum improvement, primary education, nutrition and child care, etc. This is the area which needs special probing if the real social indicators are to be identified for a realistic urban development programme in our country. Calcutta offers a classic example in understanding the significance of the social indicators

in urban development, which are analysed in depth in the subsequent pages.

BASTEE IMPROVEMENT

A massive start of the bustee improvement programme by the CMDA, based on the design prepared by the CMPO, and covering a population of nearly 1.5 million has been raising many questions as to how best the problem of slums could be tackled within the framework of urban development programmes. On one extreme, there are still advocates of a total slum clearance and re-housing programme that would create a really congenial and healthy living condition for the poor slum-dwellers. This idea has been strengthened by their negative reactions towards the failure of the CMBA-operated slum improvement programme in making a real change in the life and environment of the slum-dwellers. On the other extreme are those exhilarated by the success of the slum-improvement programme and they vigorously plead in favour of immediate extension of the programme to the rest of 1.2 million slum-population within the CMDA. There are intermediate shades of opinion too! A revised concept of slum-clearance-cum-rehousing is that of 'slum-modernisation' which is believed to be much less expensive than the 'naked' re-housing programme and also much more 'rewarding'. There are also people who advocate an integration of slum-programme with that of urban renewal programme in the city. In fact, the CMPO has already drawn up the broad outline of a comprehensive urban renewal programme for Calcutta. As slums are the most blighted areas in the city, containing nearly one-fourth of the city's population, it is natural that a realistic

urban renewal programme would try to 'reconstruct' the slum areas within the framework of a redeveloped and planned neighbourhood. The detailed cost estimates of such programmes have, however, not been drawn up as yet. Some people would also urge for a strong industrial housing programme which would solve the problem of shelter for, at least, the industrial workers living in the slums.

There is another strong opinion, with some difference in emphasis, who boldly argue in favour of a strong social development programme first in the bustees. This 'social programme' might suggest a strong and universal primary education programme or a vigorous programme for vocational training and promotion of cottage and small-scale industries in the bustees before anything else. The main basis of their argument is that the development of the mental horizon and their consciousness through a universal education programme would create an atmosphere for real change in the life of slum-dwellers. Equally strong is the argument of those who advocate a massive employment-oriented programme, because poverty and low-income are the real bottlenecks in the life of the slum-dwellers. The last important group, interested in the welfare of the bustee-dwellers, are the humanitarian and well-motivated social workers who are exasperated by the confusion in Government circles over a rational approach to the slum problem and, more particularly, by the acute crisis in the life of the bustee-people. They are impatient with the proverbial delays in Government action and get emotionally overwhelmed by the pain and agonies of slum-life. The result is their hectic operation and ameliorative measures like distribution of milk and medicine to

the sick and suffering children, immunisation measures in emergencies and often getting involved in cases of individual distress and difficulties. These social workers are often very popular with the bustee-people, 'divorced from the realities of Government programmes and other socio-economic exigencies; eventually they transform them into routine sentinels of a sterile programme.

Another important factor in slum-programmes, which is often ignored is the rational integration of the bustee programme with other urban development programmes. Otherwise, how could bustee-planning be effectively related to the total town-planning frame for Calcutta. This requires a careful examination of all the urban development programmes that have been evolved by the CMPO and are being implemented by the CMDA at the moment. The major components of the CMDA programme include a programme of sanitation, *i.e.*, water-supply, sewerage, drainage, and garbage-disposal, housing and new township projects, roads and bridges and programmes in health, education and employment. A closer scrutiny of the sanitation programme would reveal its close proximity with the objectives of the slum-improvement programme. The present sanitation programme of the CMDA is based on the master-sanitation plan, prepared by the World Health Organisation Consultancy Team in 1966, but this master plan itself is based on the studies made by the WHO Experts' team in 1960. In that report the WHO had urged for an immediate implementation of an all metropolitan sanitation programmes so that the citizens of Calcutta could be saved from the ravages of enteric diseases like cholera, typhoid, dysentery and diarrhoea. They specified

that, to ensure such sanitation, the sources of enteric infection like polluted water, infected human stool in service-prives and open places, the filthy garbage on road side and the contaminated sewage and sullage in unsewered areas of the city and suburbs, have to be totally sealed off. To trace the history in some more detail, the W.H.O. appointed a consultancy team in 1963 to prepare a master sanitation plan, which was completed in 1966. This plan envisages a three-tier programme for sanitation in Calcutta metropolis, namely, 'immediate', 'intermediate', and 'ultimate', stretching over a total period of over thirty years, *i.e.*, up to 2000 A.D. The main reasons for such a long period for achieving 'full sanitation' within Calcutta metropolis are : (i) huge population growth in the metropolis by the turn of the century, and (ii) the heavily and densely built-up nature of the metropolis. One may perhaps question the validity of such a long-drawn out, but essential civic programme, specially so after the imperative of the W.H.O. suggestion. Perhaps, some day this 'sanitation riddle' would be resolved and this question related to such fundamental issues like agricultural modernisation, decentralised urban industrial growth all over West Bengal, a really successful family planning programme, etc. Whether Calcutta would be the only metropolis or there would be many more thriving urban centres, where population could be more instead of flocking only to Calcutta, are major questions of national economic policies, which are bedevilling developing countries like India.

SLUM IMPROVEMENT

Shelving such fundamental issues for the moment, one has to be pragmatic in

accepting the present planning reality as given, and proceed accordingly. The slum-improvement programme falls under the category of an emergency programme and, in this sense, this programme may be included under the 'immediate' stage, i.e., the first stage of sanitation programme. The items of slum-improvement programme, namely, conversion of service-privies into sanitary-privies, provisions of water-taps, drainage, sewerage, etc., are exactly what was suggested in the WHO report. But the objective of the slum-improvement programme falls far short of the expectations of the WHO recommendations on the following counts :

(1) The slum-improvement programme covers only fifty per cent of the total slum population and a sanitation programme cannot be half-planned and half-executed as infected flies would spread the disease from the unimproved slums in a moment's time; flies and germs breed in millions and they refuse to follow the rigidities of any 'administrative', 'planning' or 'programme' boundaries.

(2) The degree of sanitation achieved in the 'improved bustees' is of a very low standard. The Khatalis, the garbage, the insanitary ponds and ditches—all remain there in the bustees to harbour and spread the germs of enteric diseases and thereby defeat the very purpose of a scientific public health programme, which is the only rationale behind the slum-improvement programme. Therefore, the crucial issue that has to be judged is whether slum-improvement programmes would bring in the desired sanitary status in the bustees for which the WHO has laid so much emphasis. They pin-pointed the location of bustees as the source of all

enteric infections in the entire metropolis. The WHO report made critical reference to the service-privies, ponds and ditches as the sole breeding-grounds for enteric germs and sealing off of these 'septic focus' was the supreme need for controlling epidemics in Calcutta. While the sanitary engineers, may think in terms of a three-tier sanitation programme, if the emergency slum-improvement programme is not properly integrated with the permanent sanitation network of the metropolis, then the investment for slum improvement programmes becomes totally infructuous. Some might argue that this is basically a question of engineering design and the limitations of their fiscal resources of the State. But the entire issue of town planning frame, population diversities of different neighbourhoods and the underground infrastructure, necessary to sustain this system, have to be viewed together. The only criteria on which the validity of the slum-improvement programme rests are its public health purpose and doubts could be raised whether these objectives are really being achieved.

The slum programme is being debated from diverse angles—physical, social and economic. But even the physical programme has got so many components—slum-improvement, slum-clearance, 'modernisation', industrial housing, etc. The question is which programme should come first and how much would be the size of the components? And how these components would eventually fit in with the larger goals of a modern planned metropolis? Again these physical goals are very much related to the goals of a larger programme. Can a nutrition-programme really succeed in fly-infested 'so-called' improved slums?

The expenditure on nutritious bread may be totally lost if fly-borne enteric germs eat away the vitality of the young children. Similarly, a half-baked slum-improvement programme might cause recurrent epidemics of cholera, smallpox, etc., as is being observed today in Calcutta, when in the course of the last 7 or 8 months, the mortality figures for cholera and small-pox rose to phenomenal heights. On this one score only, the case for a 'real' sanitation and health programme is perfectly justified because if thousands die in preventable diseases like cholera and smallpox, then what's the value of comprehensive urban planning in a modern metropolis? Then, in an atmosphere of pervasive frustration, poverty, unemployment, illiteracy and insanitation, can one expect a positive and cheerful eagerness towards the acceptance of family planning programme? Similarly, why is it in a city like Calcutta where the first seeds of Indian renaissance movement sprouted, where Vidyasagar pioneered the movement for universal primary education, where Rabindra Nath Tagore sang the eternal glories and passions of universal love, millions of poor children in the bustees still loaf in the lanes and bylanes without any education? In the same vain, the skill of workers who work in modern factories, but live in insanitary bustees condition, is totally ruined in course of time, in such hellish living conditions and this situation is affecting the attendance and productivity of the working population of the city. It is rather ironical that the Government has expounded sectoral programmes for each of the above issues, but, hardly, is there any rational coordination between these intersectoral programmes so as to create a fuller and

healthier life for these unfortunate slum dwellers.

This lack of coordination between intersectoral Governmental programmes produces a queer situation, when one programme comes to grief to make from another programme for which the community is hardly ready. To illustrate this point, some recent examples from the CMDA slum-improvement programmes would be very pertinent. Within 4 months of the start of the slum-improvement programme, a massive special nutrition programme was launched in most of the bustee areas of the CMD and in course of a few months, this nutrition programme was expanded to cover more than one hundred thousand children in the age-group between 0-5 years. It really created a sensation in the life of the bustee-people throughout the CMD. Though it was just a programme of distribution of three-pieces of nutritious bread, weighing hundred grams only, the bustee-community was overwhelmed at the sight of daily visit of a colourful bread-delivery truck early in the morning right inside the bustee. This programme also included milk distribution to babies in the 0-1 year age-group and also to nursing and sick mothers; but unfortunately, due to administrative troubles, the milk-delivery programme was a 'near failure'—only a handful of babies got this milk. Furthermore, though the social workers duly completed the task of preparation of full list of all beneficiaries for most of the bustee areas in the entire metropolis, the Government was not ready, financially and administratively to fully 'saturate' the children-population under the programme. The recurrent breakdown of the delivery-system was also a

painful sight as day after day, young children queued up before the nutrition centres, early in the morning and waited for hours under heavy rains in cold mornings, or under the blazing sun, only to be disappointed for the failure in the delivery system. This not only upset the regularity of the programme, which only could ensure a sure and steady growth of nutrition for those young children, but also very much the morale of the social workers and organisers of the programme. But there was a more fundamental issue in the whole situation. If the slum-improvement programme was completed quicker and had achieved a complete sanitation status, the success of the nutrition programme would have been tremendous. Though the slum-improvement programme was started as early as January 1971, the programme remains largely unfinished or incomplete in many parts of the CMD, including in the first phase areas. This cumbersome development of the two programmes spelt disaster to the nutrition programme. An unhygienic surrounding, full of flies and germs, which contaminated the breads, spoilt the whole purpose of the programme. This is a concrete and difficult case of administrative coordination and the lack of coordination harmed the cause of both the programmes. But was it really difficult administratively to harmonise the two programmes ideally for the benefit of the bustee-community?

Added to the above incongruities in the development of welfare-programme, could be cited examples like the campaign for vasectomy operations which were started in full swing in the last part of 1972 by the State Health Department and in which the social workers of the CMDA were asked to participate with full vigour. There is

no denying the importance of family planning programmes as such, but, it was perhaps not wise to involve the CMDA social workers at this stage, because of the following reasons :

(1) The CMDA social workers were not properly trained in family planning work. Moreover, a specific campaign like vasectomy-operation was rather too delicate for the social workers at this stage.

(2) The social workers were following a particular routine of work, in which the nutrition-programme, the school and health-facilities survey programme, attending to the various grievances of the bustee people regarding the shortcomings of the physical programme and in the schedules of activities, the campaign for vasectomy operations came very abruptly. In a classical process of community organisation work, such abrupt and *ad hoc* functions create confusion and often antagonise the community.

(3) In an ideal situation, a successful implementation of the physical improvement programme would have facilitated the conduction of the nutrition programme and, again, the success of the nutrition programme for the children would not only have encouraged the mothers for an effective child-care programme, but, eventually, would have inspired the mothers for a genuine interest in the family planning programme. But, unfortunately, none of these three programmes were properly synchronised to produce a deep-seated impact on the bustee-community. Such are the subtleties of welfare and development programmes in the slums of Calcutta and its imperative for the administration to sort out these imbalances and gaps in the operation of programmes.

EDUCATION AND HEALTH

If the education and health programmes are examined in detail, one finds a similar contradiction. As mentioned earlier, the majority of the population of Calcutta suffer from ordinary ailments and sicknesses which are easily controllable by ensuring complete sanitation in the metropolis. The overwhelming load in hospitals and with the private practitioners belong to the group of enteric diseases and respiratory troubles which can be eliminated only by a carefully worked out sanitation and housing programme. This might appear very ambitious but, any patch-work development only leads to further crisis in the situation. The year 1971-1972-73 are known as years of great urban reconstruction in Calcutta; in the same years, particularly in 1972-73, Calcutta witnessed one of the worst epidemics in small-pox and cholera in recent history. Is it not paradoxical that, when slums are being improved on a massive scale, when three-tier health programmes, which include mobile health dispensaries, education programmes, etc., are being taken up on a big scale, the poor people are dying in thousands in totally preventable communicable diseases? This situation calls for a drastic revision of the entire physical and social development programmes to fit in with the hard realities of the civic situation. It is a common cliché that family planning and welfare is a 'positive health programme'. But, is it sensible to vigorously campaign for vasectomy operations when bustee people are dying in thousands in cholera and small-pox? In such a grim situation, where is the 'positiveness' of the family planning programme? In the field of education,

there is a competition between the various sectors of education programmes, namely, pre-primary and 'balwadi', primary, secondary, college and post-graduate higher education, mixed up with national programmes like eradication of illiteracy, adult education, social education and others. People from all quarters clamour for universal free primary education as the corner stone of national educational policy and there is no dispute on the point. But, very often, the equally pressing need for higher technical education is ignored. India is passing through a period of transition, which is full of contradictions. Over the last 10 or 15 years, India has scored outstanding successes in modern scientific education and also in the field of new industries, based on sophisticated technology. Atomic power stations, modern steel plants, hydro-electric dams, electrical and chemical industries, modern machine-tool industries, etc., have totally changed the face of industrial India, which is showing great promise for the future. To sustain this new industry and new technology, a strong and widespread system of higher technological education is an absolute imperative. Many problems of industry and agriculture are directly related to questions of advanced science and technology. The solution of these technological problems would help in solving problems which affect the common man's lives. Low-cost housing, supply of drinking water, installation of sewerage and drainage system, control of acute diseases, provision of educational facilities, etc., all require the services of modern technology and science. In other words, poor men's problems could never be solved without the help of modern technology. And precisely because of this

India is in dire need of modern technology. But, unfortunately enough, the plea for universal primary education is very often equated with a panacea for poor man's lot, as if, only knowledge of the three R's would help in liberating the miserable lot of the 'heathen folk'! It may be argued that this is simply a question of sectoral allocation for different grades of education, i.e., for primary, college and post-graduate higher education. But, this is an over-simplification of the problem. It is true that higher education is based on primary education and, consequently, all emphasis should go on primary education. But, precisely, this is the vicious cycle in which we are in; the experience of the last two decades in India strikingly exemplified this paradox. Ever since India attained freedom, the goal of universal free primary education has been praised sky-high; but as yet the goal remains unfulfilled. But this is not the main issue—how are we reacting to the situation and does it justify our basic premise of first priority for primary education? What exactly is the logic of priority for primary education? The main obstacles in the path of universal free primary education are recorded as high birth rates, population increase, lack of resources and competing needs for resource-allocation. As mentioned earlier, these last two decades in India have witnessed unprecedented growth in industry, agriculture, science and technology—the growth and development in these spheres did not wait for the fulfilment of free primary education. And, precisely in this sense, the so-called priority for primary education for the last two decades has remained a total myth. The target remains a mirage, while the cycle of national development goes on in

its own rhythm and ever poses new problems and questions. And all these questions have to be answered at the right moment and the right perspective.

On the other hand, the situation right within the educational sector is extremely confusing and irrational. There is no balance between higher and primary education; millions of rupees are being squandered to construct gigantic educational campuses with huge concrete blocks of buildings and artistic, architectural ornamentations, when there is no money for simple primary schools or repair of ill-ventilated, damp, unhygienic, overcrowded and small dilapidated primary schools in the slums and rural areas. Plea of lack of resources for paying the salaries of primary school teachers sound utterly foolish when lakhs of graduates and under-graduates remain unemployed. The perpetuation of this gap in primary education leads to the growth of millions of adult illiterates, for whom our answer becomes 'social education', 'mass education' and 'adult literacy' and we all know the very miserable state of affairs in such national programmes. It is not merely a failure of adult or social education, but these failures tell heavily on the success of major national programmes like family planning, public health, nutrition, education and also on programmes of agricultural and industrial development. This paradoxical situation is ultimately eating into the very root of our democratic social system and cultural heritage. This anachronic situation could only be resolved by a cool and patient analysis of the whole problem and a sharp decision in favour of clear-cut programmes, either for the expansion of primary education or of higher education.

It is well-known that the CMDA budget has a provision of Rs. 5 crores for expansion of primary education in the CMD area. The CMDA authorities decided on a twin approach to the problem, namely, (1) construction of new primary school buildings, and (2) repair and renovation of old school buildings. It is pertinent to observe here that West Bengal lags far behind in primary education coverage than States like Maharashtra, Tamilnadu, Mysore, etc. It is, indeed, tragic that is the land of Vidyasagar and Rabindranath, the two outstanding pioneers in education and literature, the progress in primary education is unfortunately miserable and this crisis is more patent in Calcutta, the fountain-head of Indian renaissance. It is equally well-known that the slum areas are the worst hit in respect of primary education. But this tragedy is further perpetuated by the glaring examples of faulty planning at the moment when Rs. 10 crores are being spent for slum-improvement programmes and another Rs. 5 crores are being spent for primary education. But, even this amount of Rs. 5 crores remains unspent, because either the building repair money could not be utilised in the absence of cases where the land and buildings are not 'owned' by the school committee (a condition for grant) or adequate vacant land not available in overcrowded slum areas. It is indeed ironical that when the slum-dwellers were greatly enthused by the activities of the massive slum-improvement programme, the programme for primary education could not get the right kind of fillip for reasons which are quite well-known, namely, absence of ownership of buildings and absence of land in over-crowded slums. The real task of the planners was

to unearth the real causes of the problems in primary education and then come out with a realistic solution. It is painful indeed that no such hard thinking was done by the planners and the vicious cycle in primary education continues in Calcutta. A similar situation exists in the field of health, hygiene and sanitation. Easily preventible diseases like cholera, small-pox, typhoid, etc., are still raging rampantly in Calcutta, though a special organisation like the Calcutta Metropolitan Immunisation Organisation was created about a decade back to control the above-mentioned diseases. At the same time, a master sanitation plan is being worked out and implemented in this same very period, along with the implementation of a massive bustee improvement programme. Despite all these planning measures, in 1972-73, Calcutta witnessed one of the most virulent outbreaks of small-pox and cholera. With all these facts in mind, are we really clear what we exactly mean by preventive and curative measures in health and sanitation? What's the time-schedule in completing the Master Sanitation Plan? And, if it really takes time to complete the master plan, what exactly is the content of emergency preventive and curative measures in health and sanitation? Would we endlessly add up the number of clinics and hospitals? It really seems like running after a mirage.

In this connection, the success of the nation-wide Malaria control and eradication programme may be mentioned; started in the early fifties and more or less completed by the end of the sixties. The campaign was one of the wonders on the world of public health, as malaria was taking a heavy toll of lives in India for

centuries; its gradual control and eradication saved millions of human lives. But these achievements were virtually without reference to any other national programme of development. Following the principles of epidemiology and public health, the disease-cycle in the causation of malaria was broken sharply by mass killing of malaria parasite borne mosquitoes. The zoological habits of mosquitoes were studied and it was found that they have to rest on the walls of the room in their daily 'operations' on human beings. These mosquitoes, while resting on the walls, were killed by continuous spraying of D.D.T. Systematically following this course all over the country, malaria, the black terror of Indian villages, was completely wiped out. The question is whether a similar technique of public health programme could be applied in disease-ridden slums and blighted areas of over-crowded Indian cities. As mentioned earlier, the planning decisions about Calcutta appear to be pretty messy in the sense that: (1) housing programmes for an overwhelming number of the city population have been found to be uneconomic, as more than 70 per cent of population have an income less than Rs. 200 per month which does not permit them to pay for a decent house; (2) despite such estimates, crores of rupees are being spent on new township projects like Kalyani and Salt Lake; (3) the 30-year time schedule of completion of the master sanitation plan becomes a problem by itself, as neither the short-term programmes of sanitation nor the emergency programmes of bustee improvement have succeeded in controlling or eradicating the enteric diseases like cholera, typhoid, dysentery, etc., about which the WHO report emphasised so strongly.

Compared with the programme of malaria control and eradication, the programme for control of enteric disease in Calcutta appears to be ridiculously hopeless. The result is allocation of huge resources for building hospitals and clinics and increasing the number of beds. All these go in the name of health planning—'increase the number of hospitals and beds, but no measures for control and prevention'. This is the logical fallacy in health planning in the C.M.D. Sometimes arguments are given about the difficulties in installation of a sewerage and drainage system in a 'built up' city like Calcutta. Calcutta is, undoubtedly, a densely populated land and 'closely' built up; but, if the structures of buildings are examined, then it would be found that the majority of the buildings are worn out and dilapidated. Moreover, nearly one-fourth of the city-population live in slum-huts which are *kutchha* in construction and very poorly built up. Is it very difficult to dismantle these ramshackle structure and clear the ground for installation of underground drainage and sewerage infrastructure? In fact, the very basis of the bustee improvement programme is extension of underground sewerage and drainage; the short-term sewerage drainage project could have been extended to another quarter of the city's poor population who are in need of essential sanitation facilities and thus half of city's population could have been covered by a carefully worked out sanitation network. This calls for an imaginative and economic engineering design to achieve a satisfactory level of sanitation for the neediest section of the city's population. Further more, the achievement of a decent sanitation standard is related to two vital national programmes, namely, the special nutrition programme

for slum children and family planning and child care programme. It is really meaningless to think of any success in the special nutrition programme for slum children in an atmosphere of filth and squalour. It is equally true in the case of family planning programme, which is essentially a positive health programme and to talk of the virtues of a healthy living in a small family in the insanitary slum-atmosphere appears irrelevant. From 1972 onwards, the annual Housing Ministers Conference has been emphasising on the need of providing essential environmental sanitation for the weaker section, of the big cities' population, as decent pucca housing for them is beyond the economic means of the country. It appears that any 'improvement in the living conditions of the city-poor remains in anathema to all planning exercises. Resources do not permit modern type of housing for the poor population, the question of improvement of environmental sanitation in slums remains an 'engineering impossibility' as it tied to the constraints of a long-drawn master sanitation plan, and in the absence of such improvement programmes in slums, the nutrition, family and child-care programmes remain an absurdity—such is the paradoxical situation in the planning problems for the city-poor. It is a vicious cycle of the worst sort and only a scientific, painstaking analysis can resolve this gordian knot.

REHABILITATION

In addition to slum-improvement programmes, there are a variety of programmes which could be fruitfully utilised for the benefit of the slum dwellers. They are listed below :

(1) The industrial housing programme

is already quite old, but it has not achieved any significant success. This provides small multistoreyed tenements, usually one or two-room flats for industrial workers and the Government assistance is as high as 75 per cent of the total cost, of which Central Government subsidy is 25 per cent, the loan content (from Central Government) is 50 per cent and a local contribution of 25 per cent (which could be private or public or mixed) usually expected from the industrial employers. Approximately 15 to 20 per cent people in a bustee are industrial workers, working in large and medium-sized industries and in many municipal areas, the entire slum-area is composed of industrial workers, either from a jute mill or some engineering establishments. It is, therefore, not difficult to arrange for slum-clearance and industrial housing for this group of workers. The subsidy and loan elements are quite high to justify a vigorous effort for successful utilisation of this Central Government-sponsored scheme as a clear-cut and well defined alternative for tackling the slum problem. But the present status of the performance of this programme is very discouraging.

(2) Another important component of the slum improvement programme is the rehabilitation of displaced slum dwellers effected by large scale urban development programmes that are underway at the moment by the CMDA and other implementation agencies. The Kasba railway overbridge, the Chetla bridge, the eastern metropolitan bypass, the Kona and Central Howrah expressways, Belgharia expressway, Diamond Harbour road bypass, widening of the Raja Subodh Mullick Road, Deshpran Shasmal Road

and Prince Anwar Shah road, reconstruction of Sealdah station area and many such urban developments would cause displacement of thousands of slum-dwellers and this would call for an effective and realistic programme of rehousing and rehabilitating these unfortunate victims of development operations.

(3) The CMPO has already started the first programme of slum modernisation at Chetla and preparations are underway for bringing about one lakh slum-dwellers under this slum-modernisation scheme. In the central areas of the city, where land values are very high, because of high industrial and commercial density, there is good urban space for more economic use of the land. In view of this extraordinary situation, the programme for slum modernisation has been deemed to be the most rational in the high land-value areas of the city.

(4) Apart from the industrial housing scheme, the major government and semi-government public undertakings like the Port Commissioners, the railways, the Civil Aviation Authorities, and similar organisations can effectively organise low-cost subsidised housing for their Class IV employees, many of whom are living in the slums and thus partially relieve the problem of housing in slum areas.

(5) The Government has also special programmes for harijans, scheduled castes and tribals, which include a programme of housing and improvement of environmental sanitation. A high percentage of slum-dwellers in Calcutta, estimated at nearly 25 per cent of the city slum population, are refugees from East Bengal and the refugee Rehabilitation Department has got funds and resources which could be fruitfully utilised for the amelioration

of their miserable living conditions. Unfortunately, none of these programmes are at all coordinated and even if schemes of physical improvement are prepared, there is hardly any sense of proportion or imagination in them and they are never integrated with the ongoing slum improvement and slum rehousing programmes. If all these programmes are properly integrated a much greater comfort would accrue to the life and living of the slum population.

(6) There are some special social groups in the slums like the goallas (milk men) the image makers and potters of Kumartuli, the patuas of Kalighat, the cobblers of Nimtollah, Jorabagan and Tangra, the sweepers and scavengers of the Tangra-Dhapa area, the washermen of Kasba—Tiljala—Manicktala areas (who are facing an acute crisis, as the water-bodies are being filled up for urban development), the small foundry men of Tikiapara (Howrah) etc. who need a special kind of approach for solving their trade and craft problems in a harmonious way with programmes of physical improvement. It is just not a question of integrating their economic life with the physical development programmes, but it is much more. Each of the above-mentioned social groups have problems of their own as may be illustrated hereunder. The image makers of Kumartuli are one of the finest craftsmen in our country and the entire Hindu religious life of Calcutta might perhaps collapse if these craftsmen lose their economic moorings, and exactly this was happening when the CIT was planning a road development programme in the Kumartuli area. It is perhaps not known to many people that

these craftsmen live in very densely packed and insanitary bustees, occupying a rather small area. To a hard boiled physical planner, this small patch of bustee-land beside the Ganges appeared to be an ideal place for clearance and redevelopment. As if out of mercy, an alternative site in the Manicktla area, where the CIT has been undertaking a large scale urban redevelopment project, was offered to the image-makers of Kumartuli. But these image makers protested against the CIT scheme of eviction, as the name of 'Kumartuli' (the neighbourhood of potters) is inseparably linked with the sentiments of millions of Hindu Worshipers for centuries. There are other geographical factors too in the situation, as the earth and paddy-straw, the two essential materials for image-making are easily available in the Bichalighat (the market for straw) of Bagbazar on the banks of Ganges.

(7) The washermen of the Kasba-Tiljala-Manicktola area have a special problem of acquiring large water-bodies on the eastern fringes of Calcutta, but, precisely in this area the 'scissors' of urban development are very much in operation—the Salt Lake township development, Manicktola redevelopment, the Dum Dum super expressway, the Eastern metropolitan bypass, the prospects of urban development Basba-Tijala area (because of Kasba Railway overbridge) associated urban development etc. are some of the development programmes which are causing quick 'land fill' operations in the swampy areas of eastern Calcutta, the abode of thousands of washermen. Thus, the traditional cultural pattern of image-making and manual washing of clothes instagant

water collide sharply with the modern pattern of city development.

(8) Similarly the patuas of Kalighat, with a legendary tradition behind them and which inspired one of the greatest artists of modern Bengal, the late Jamini Roy, live in one of the densest slum quarters of Kalighat and acute poverty has nearly extinguished the entire community. The question of revival of the Patua community of Kalighat slums is not merely a physical development issue but a social and cultural problem too. The small foundry men of Tikipara in Howrah who operate small lathe machines and produce fine quality spare parts of railway and engineering industries, live in most insanitary conditions, full of smoke from railway engines on the nearby yard, Belilious Road, having one of the highest densities of population in the CMD area. Again, the twin questions of physical improvement of slum and economic rehabilitation of these small foundrymen are inseparably linked. The sweepers and scavengers of Dhapa Tangra area mostly belong to one of the most depressed 'lower' castes among the Hindu community namely the 'doms' and 'muchis' and they are a closely-knit community, whose life and living cannot be separated in anyway. But the problem is very acute from topographical considerations, as this area is one of the most low-line swampy areas of the city and it remains mostly flooded during the monsoons. The city refuse dumping ground is also at Dhapa and the very occupation of these sweepers is tied to the refuse dumping operations of the municipal corporation. The cobblers and shoe-makers of the city are also a closely-knit community, belonging to the lower strata amongst the

Hindus, who live in some selected slum neighbourhoods of the city. The slaughtering of animals is done in Tangra area, the leather processing and tanning are mostly done in Tiljala area, the wholesale market of tanned leather is in Hatibagan area (commonly known as Birshul Bazar near Linton Street—Puddopukur areas) and the shoe-making colonies of the cobblers are scattered in Nimtolla—Jorabagan, Kalabagan-Marcus Square and Topsia-Tiljala areas. It appears, therefore, that the economic rehabilitation of this community requires a careful judgement of the social, economic and physical links of these people and then integrate their life with the rest of the city's population. In other words, the slum dwellers are not just statistical aggregates of human beings, but, a dynamic and living community, interwoven intimately with the life of the entire city population.

Summarising the above discussion, the basic principles that should govern a comprehensive slum treatment programme in the CMD are :

(i) Any comprehensive slum programme should involve the entire 2.2 million slum population of the metropolitan district. Any fragmented approach would have grave political consequence.

(ii) Slum population is approximately one-fourth of the total metropolitan population and, therefore, as an urban problem, the slum problem should receive proportionate and adequate attention from the planners. It is just not a quantitative measure of the problem; from the qualitative point of view also, the slum population as the most under-privileged and deprived section of the city's popula-

tion suffer from most serious gaps and deficiencies in the civic services, which require a very high order of engineering performance.

(iii) The programme of treatment should cover three main aspects of the slum problem, namely, physical, social and economic. It is pertinent to spell out the exact components of these three aspects of the treatment :

(a) The physical treatment should include both slum improvement and slum re-housing programme. In the former case, the emergency improvement programme should be gradually integrated with the long-term sanitation plan. In the latter case, slum rehousing may come off as a result of slum clearance, slum modernisation and urban renewal operations.

(b) Whether any slum is covered by either improvement or re-development or any other programme or even if there is no programme at all, there must always be a social welfare or social development programme in all bustees. The poor slum-dwellers are always in need of some kind of social welfare service, either ameliorative or development-oriented, either in a well-organised way or in a fragmentary way. Spread of education, promotion of minimum health services, provision of minimum sanitary facilities for cleanliness and hygiene, promotion of employment oriented small industries are such kind of welfare and development services, which are always needed by the bustee

dwellers and they always make effort to organise such activities in the slums on their own initiative. But in all these times of activities there should be more organised and planned services for which ideas have already been expressed in the earlier sections of this document.

- (c) Neither provision of sanitary facilities nor setting up a school or a clinic would really help a poor slum dweller, unless there is a strong programme of employment oriented cottage and small scale industries, which would raise their income level and, then only, would they be able to 'buy' better civic-services and facilities.

As resources are scarce, the quantum of the main components of the slum improvement programme has to be determined properly in suitable phases. Undoubtedly the slum improvement programme would be the main component and this might take care of 50-70 per cent of the entire slum population. For the rest, there could be industrial housing, slum modernisation and slum relocation programmes. The exact magnitude of the latter programmes would depend on financial resources. If 10 per cent of the slum population are earmarked for industrial housing, it gives a figure of 200 thousand slum population in other words, 40 thousand families need to be rehoused in 40 thousand flats. Similarly, if another 10 per cent of the population come under the slum-modernisation programme, there would be a need of another 40 thousand flats for 40 thousand families. Again as a

consequence of urban renewal and urban development programme, another 10 per cent is 40 thousand flats under slum relocation or rehousing programme. The figure of 120 thousand flats for 600 thousand slum population might appear formidable, but, in a comprehensive planning exercise for Calcutta; one has to think on such large dimensions; alternatively in the near future the problem would degenerate further to make it totally unfathomable. Even if 600 thousand slum population comes under some sort of rehousing programme, there would remain nearly 1.6 million of slum population which would invariable come under the slum improvement programme. Such magnitudes of slum treatment planning could only be understood in the context of huge investments for new township planning, subsidised housing projects for low income population, expensive sewerage drainage projects, etc.

As mentioned earlier, the proportion of investment for planning the future of one-fourth of the metropolitan population should be evenly balanced against investments for the other sectors of planning. Any careful analysis of the planning budget would show that a very low priority has been given to the slum programme as against other aspects of planning. Budgets for urban renewal, ward development and new township programmes hardly bear relationship to those for slum programme. This imbalance and irrationality in planning judgement have to be corrected for the sake of the entire planning process for Calcutta.

Coming to the core of the problem, one has to go to the fiscal details of each

type of the programme of the slum problem. These fiscal estimates are summarily presented below :

(1) The total estimated slum population in the CMD is about 2.2 million, *i.e.*, we need 44,000 flats for a similar number of families. The cost of three different types of low-cost housing may be taken as Rs. 3000, Rs. 5000 and Rs. 7500 per unit. Therefore the cost of the total rehousing is given at the bottom.

The figures give us some global dimension of the slum problem and the costs for different kinds of treatment. Such a total view is necessary in a compre-

hensive metropolitan planning programme. The costs might appear formidable but a rational comprehensive treatment of the slum problem would remove many ills from the metropolitan civic life like epidemic diseases, social crimes and other social pathological conditions. Improvement in the physical and social conditions of 2 million slum population would yield many external benefits in the shape of greater industrial and economic productivity, a lesser cost in health expenditure, rise in land values around the slum clearance sites and its attendant planning benefits. In any planning exercise, a total physical and social

<i>Cost of a flat</i>		<i>No. of flats</i>		<i>Total costs</i>
Rs. 3,000	×	440,000	=	Rs. 132 crores
Rs. 5,000	×	440,000	=	Rs. 220 crores
Rs. 7,500	×	440,000	=	Rs. 330 crores
Rs. 10,000	×	440,000	=	Rs. 440 crores

On the other hand, the cost for slum improvement, land acquisition and hut-acquisition are :

(i) Slum improvement programme @ Rs. 150 per capita for 2 million slum population	Rs. 30 crores
(ii) Cost of total slum-land acquisition (for 4,000 acres)	Rs. 26 crores
(iii) Cost of compensation to 1 lakh hut-owners @ Rs. 480 as net annual income from a hut × 5 times	Rs. 24 crores
(iv) Expected recovery of money from the total sale of slum land (4000 acres, <i>i.e.</i> , 240,000 khatas) @ 5,000 per khata on average	Rs. 120 crores
(v) Total rental income from rehousing flats (4 lakh units @ Rs. 30 per month rent) a crude estimate per year.	Rs. 15 crores (Approx).

cost-accounting is very useful from all planning considerations.

The entire question of the three-tier relationship between the landlord, hut-owner and tenants has not been given the fullest considerations by the planning authorities. As early as in the fifties, the Estate Acquisition Act which abolished landlordism all over West Bengal was not extended to the Calcutta-Howrah area. It is about 20 years that the big landlords are enjoying a privileged status. Just at this moment the Urban Land (Ceiling and Regulation) Act, 1976, has been passed by Parliament and the State legislatures are also expected to extend this Act to their respective States. It is a great opportunity now to bring this vast bustee landed estates under the jurisdiction of the Government, thereby enabling the planning authorities to carry out improvement, clearance and urban renewal operations far more effectively. The bustee landlord families, particularly the bigger areas, the divided amongst themselves because of litigations and many such properties have already come in the grip of the receivers of the High Court or vested in the hands of banks which are now nationalised. There are poorer bustee landlords too, very often widows, who might need special protection by the law. Religious endowments also control bustee properties. With the help of the new legislation and with radical ideas

prevailing in the country, there is a great scope for nationalising the ownership structure and system of land rents for the benefit of rational and speedy urban development programmes. But the moot question is whether we extend our support to the poorest tenants who comprise 90 per cent of the bustee population as against 10 per cent hut-owners and landlords. This is the crucial social indicator in the slum programme.

In conclusion, while examining the problem of social indicators in developing rational programmes for slum area, we are confronted with the basic constitutional questions of property ownership, land tenure system and the system of rents and taxes by local governments. The urban planning programmes are also facing crucial questions of planning goals, and priorities, which are essentially questions of social justice and egalitarian principles. The priority for physical or socio-economic improvement in the slum areas can only be understood if we can settle this cardinal question of social policy for the upliftment of backward slum dwellers. Programmes of universal free primary education and population control are inherent parts of a rational social development programme whereby social distances could be removed as fast as possible in consonance with the socialist goals of our society.

Towards an Expanding Property Tax Base

PROPERTY tax is among the most important sources of revenue to local governments everywhere. Even though this tax source has often proved difficult to administer, local governments have held on to it because they have few alternative tax sources left to them.

PROPERTY TAX AND TOWN-SIZE

This tax source accounts for nearly 88 per cent of the total revenue of all local governments and 70 per cent of the total revenues of all municipalities in U.S.A.¹ In India, it constitutes about 70 per cent of the revenues of municipal corporations and 48 and 28 per cent respectively of the revenues of municipalities and notified town areas and committees.² It appears that the property assumes greater importance with increasing town-size.

This relationship between the share of property tax in the total revenues and increasing town-size is not without significance. Among the resource endowments available to a city its land is probably its most important assets. As a consequence, property tax which stems from the use of land should contribute greatly to the city's financial needs.

NEED OF AN EXPANDING TAX-BASE

A city is a large congregation of people who work within a clearly identifiable area. They live, work, produce, consume and recreate within this area. As their activity increases, the city attracts more people and its needs grow. More housing is one of the more obvious needs as the city grows; along with this the need for other community services also increases. To provide for these, the urban community continually requires more and more resources as it grows. If the increasing civic needs are to be met without a decline in the standards of the civic services provided or in the quality of civic environment, the property tax must contribute increasingly to the city's finances. In turn this means that the property tax base must expand progressively which may be either through an expansion of the city's geographic limits or through an increase in the tax rate or both.

The expansion of the tax base as the city grows is often marred by the decline of the central city and the movement of the more affluent to the suburbs. While these suburbs can be brought within the city limits the declining property values in the central city lead to an erosion of the property tax base. Where

¹F. Durr, *The Urban Economy*, Scranton, Index Educational Publishers, 1971, pp. 112-13.

²Report of the Committee of Ministers on *Augmentation of Financial Resources of Urban Local Bodies*, New Delhi, Government of India, 1963, p. 142.

the new suburbs cannot be brought within the city limits for one reason or the other, the supply of land is inelastic and the erosion of the tax base assumes serious proportions. Invariably, as the city grows, the city administration needs more space, more land has to be provided for public recreation and such other facilities, all being tax exempt accentuate the erosion of the tax base. Inevitably then, any form of property tax must not only counteract the natural erosion of its base with city growth but also provide for progressively increasing revenues through a continuous process of revaluation of properties. To neutralise the decreasing revenues from central city decline it must also incorporate in its structure elements to induce urban renewals.

PROBLEMS OF REVALUATION

Wherever levied the property tax even now contains provisions for progressive revaluation of properties. However in practice this revaluation has presented problems in almost every country. It is difficult to estimate the real market value of any property. True, when a property is sold its true market value is established with a large degree of certainty. Such transactions are, however, few and far between. It may be agreed that the appreciation in value is actually observed when one property turn over would be applicable to all others in the neighbourhood. But no two properties are strictly the same. Even though property assessors have guides in ascertaining property values they can never be anything more than broad guidelines. And to this must be added the frailties of the

assessors and the assessment procedures too.

Property tax as prevalent in India is based on the annual rental value of the land and the buildings standing on it; it is either based on the actual rent which the owner receives for the premises or on a reasonable rent which a hypothetical tenant may be expected to pay the owner. Every building is assessed along with the parcel of land on which it stands. The annual rental value is deemed as the gross annual rent at which the whole premises can be reasonably expected to be let with deductions for repairs and maintenance necessary to command the assessed rent. In the case of buildings which fall under the purview of rent control provisions annual rent is taken as equal to the standard rent fixed by law. Provisions exist to provide concessions to owner-occupied residential premises and remissions to places of workshop, schools and other public premises.

RENTAL VALUE VS. CAPITAL VALUE

The report on Augmentation of Financial Resources of Urban Local Bodies³ has indicated the following defects in the existing system based on rental value assessments:

- (1) It is not comprehensive.
- (2) It does not bring the 'soaring land prices' within its purview.
- (3) In the cases of premises covered by the Rent Control Act, the rents are virtually frozen and therefore there is no tax yield from these properties.

³Report of the Committee of Ministers on *Augmentation of Financial Resources of Urban Local Bodies*, op. cit.

- (4) It has given rise to land speculation.
- (5) It acts as a disincentive to intensive use of land in big cities. In so far as the rental value system does not take into account the appreciated value of land, it offers no incentive to the land owner to build as much as is permissible under the building bye-laws.

As an alternative to this method of assessment it has been suggested by some that the tax be related to the prevalent market value of the property and not to the income derived from it as at present. Following are the advantages claimed for this method of assessment:⁴

- (1) Since the current market value is the basis of assessment it can be applied to all types of properties.
- (2) Appreciation in land value would be reflected in the market values of properties and since the tax is based on market value of properties the tax base would continually expand.
- (3) Since vacant land would also be assessed at its prevailing market value, it would lead towards intensifying the land use in cities.

Apart from inducing a more intensive land use, the capital value method of assessment has no other significant advantage over the rental value method of assessment. The prevailing market

value of properties would again have to be inferred from a few sparsely distributed property sales or from the current income produce by the property or the current cost of constructing a similar building. In other words if the rental values can be updated without much delay, in reasonable time, there would be little difference between the capital value and rental value assessment methods.

THE DELHI SURVEY

To get over the difficulty in assessment 'central valuation' agency is one possibility. Another is to make periodic surveys of rentals paid as was done by the National Council of Applied Economic Research for Delhi city⁵ in mid-1970.

In this, sample of households was selected through a stratified design in which streets or blocks were selected first, in each of the administrative zones of the city separately, based on the municipal records on assessment of house property. From these records a ten per cent sample of all houses in each street or block was extracted. The number of household living in the house and the total rent paid or assessed for the entire house were obtained from the municipal records. Based on these an average rent per household was calculated for each street or block. The streets or blocks were then stratified using the average rent per year per household into six strata (1) less than Rs. 1,200 per year; (2) Rs. 1,201 to 2,400; (3) Rs. 2,401 to 3,600; (4) Rs. 3,601 to 6,000;

⁴Report of the Committee of Ministers on *Augmentation of Financial Resources of Urban Local Bodies*, op. cit., pp. 41-43.

⁵NCAER, *Techno-Economic Survey of Delhi*, New Delhi, NCAER, 1973. (The Survey was restricted to residential premises only).

(5) Rs. 6,001 to 12,000 and (6) Rs. 12,001 and above. Streets or blocks were then selected with probability proportional to the total rent paid or assessed for the streets or block as a whole. All households in the selected streets and blocks were taken as sample households.

While the above procedure was adopted for private housing a slightly different procedure was adopted for Government housing. A complete list of all Government housing was obtained from the respective authorities, typewise. Households were then selected with equal probability from each type. The total number of private households covered was 16,077.

Rent paid by the households was one of data collected. From this an average rent for tenant households and, the number of rooms occupied by the tenant households could be estimated. Since the sample included owner-occupied premises also the number of rooms occupied by owners themselves could also be estimated. As the sample was picked separately for each administrative zone the average rent per room (paid by a tenant) as well as the total number of rooms occupied by the owners and tenants could be estimated; assuming that the rental value of owner-occupied accommodation is the same as that for tenants, in each zone, the total rental value of all private housing was estimated at Rs. 495 million for urban Delhi:

	(Rs. Million)
Delhi Urban	494.906
Delhi Municipal Corporation	461.496
N.D.M.C.	42.944
Delhi Cantonment	0.466

Against the estimated rental value of Rs. 461.5 million for private residential premises in the B.M.C. area, the rateable value of all properties in that area furnished to the Morarka Committee was only Rs. 244 million. A subsequent computation based on 'demands', slab-wise separately for commercial and residential properties obtained from the Delhi Municipal Corporation gave a figure of Rs. 270 million as the total rateable value of all residential properties in the D.M.C. area. This would indicate under-valuation of private residential properties to the extent of about Rs. 190 million equal to about 40 per cent in the Delhi Municipal Corporation area.

EFFECTS OF RENT CONTROL

It should be noted that in the above survey the 'average rents' obtained represented a mix of 'old' and 'new' rents depending on the year in which the tenancy commenced. Even more, no distinction was made between houses which fell under the purview of rent control and those which did not. The rationale for this was that unless rent control was removed there could be no increment in the rateable value of the property and therefore in the tax realisable from these properties. While rent control has been used to protect tenants in almost every country at some time or other, it is now universally recognised that this one measure has contributed greatly to urban decline in the older central city areas. Over time, while rents remained static, annual maintenance costs have increased to such an extent that they are now higher than the rent realised from these properties. It is uneconomic for the owner to maintain these properties in good order.

No wonder one often reads accounts of house collapses with all its attendant miseries. Even in the more affluent countries one reads of whole blocks becoming derelict in the central city areas. It is not as if the deleterious influence of the rent control provisions on urban environment has not been realised; time and again, committee after committee has indicated the necessity to give up this Control. But it has persisted because alternate housing at reasonable rentals has not been available to those who live in these derelict (or progressively becoming derelict) premises. At this stage it may not be out of place to mention that not all who live in rent controlled premises belong to the low income group, some of course are, but neither is it rare to come across people belonging to the high income group living in such premises. If the pace of house construction could be stepped up to meet the requisite demand continually, it should be possible to give up rent control altogether. An extent of the loss of revenue due to rent control may be gauged from the fact that the rateable value of rent controlled premises in the Delhi Municipal Corporation area alone is as high as Rs. 96 million⁶ or roughly one-fifth of the Rs. 461 million estimated by the N.C.A.E.R. for all private residential premises in that area.

GOVERNMENT PROPERTIES

Government properties though not in the same class constitute another block of properties from which the tax realisation is frozen. The difference between these on the one hand and rent controlled

premises on the other is that in this case there is no environmental decline though their rateable value and the tax realisation thereon is static. Government buildings belong to two categories; those used for administrative purposes and those used to provide residences for government employees. Current practice is to levy either a service charge on all Government owned buildings irrespective of the use to which they are put or to assess residential buildings on the basis of the actual rents realised from them. It is well known that these rents are very low compared to prevailing market rents; not only this, these rents are frozen just as in the case of rent controlled premises. While the concept of a service charge on Government buildings used for administrative purposes may be justified, the same cannot be said of Government residential buildings. These should be rightly assessed at prevailing market rentals or values to contribute their due share to the city's revenues.

COLLECTION AND TAX EROSION

In addition to the erosion of the tax base, referred to in the foregoing, frailties in the procedures of assessment and collection of the tax give rise to continuing under recoveries year after year. In some cases the accumulated arrears in tax realisation are a little more than the current year's demand. Streamlining of the collection procedures and introduction of automatic data processing machinery would go a long way towards presentation of bills on time. In some cities, a system of a rebate for prompt payment of tax dues and a penalty for delays in payment is in vogue; the system

⁶*Interim Report of the Commission of Inquiry into the Finances of the Municipal Corporation of Delhi and the New Delhi Municipal Committee, August 1968, p. 108.*

is reported to have yielded satisfactory results.

The discussion so far has been mainly on factors contributing to the erosion of the tax base. Earlier, it was mentioned that as the city grows, its financial requirements increase and the consequent need to enlarge its property tax base. This can be achieved by fostering a continuous building activity at a pace sufficient to house the increase in population from time to time.

HOUSING BACKLOG

Current experience in India has been that the pace of house building has not been rapid enough to meet the increasing population. Not only that, whatever is built appears to go to meet demand of the high income families. This is so because it is only these sections that can afford to pay rentals high enough to attract the investment required to provide accommodation. The economically weaker sections of the community unable to pay rentals that can attract continuing investment live in progressively deteriorating housing and environmental conditions. This is a situation not peculiar to India; other countries, even the more affluent ones, face the same problem. In these countries various measures have been tried out, one of which was reducing the tax burden on new property. However the overall experience has been that no single policy measure yielded the desired increments in accommodation; each measure made only a small impact on the problem. According to Netzer⁷ "the single most effective strategy for improv-

ing the housing conditions of the central city poor is to rapidly expand the total supply of housing, even if little of the new housing is for the poor. Among American urban areas, the greatest housing improvements for the poor have occurred not where the increase in the stock of low-rent public housing has been greatest, but where the total supply has increased the most".

This is not incomprehensible. Let us for example take the case of Delhi. It is widely felt that while large numbers of houses have come up for the upper income group there has been practically no private investment in housing for the low income groups. Concerned with this the Government has stepped in and built houses for the low income group; yet the backlog in low income housing demand is so high that there are some who feel what measures would have to be taken to divert private investment from upper income housing to low and middle income housing. Would such a measure really provide housing for low income families? The demand for housing is universal to all income groups, be they low or high. Given this, if sufficient new housing for the more affluent sections of the community is not available, they certainly are not going to be without a roof over their heads. They have the wherewithal to pay for it and do not hesitate to do so. The result is they move into middle income units for which the rents soar. The middle income families being pushed out of their 'rightful accommodation by soaring rents, in turn, either occupy one room 'barsatis' with improvised amenities or more into low income houses since they can afford to pay

⁷D. Netzer, *Economics and Urban Problems : Diagnoses and Prescriptions*, New York, Basic Books, 1970, p. 102.

more than the low income families. Ultimately the result is the same, the poor man has no roof over his head. This is exactly what has happened in the last few years in Delhi. Enough housing did not come up for any section of the community. As the demand increased rents have almost doubled. Middle income housing which fetched around Rs. 200 to 250 a month has now been taken over by the upper income group at monthly rentals of Rs. 500 to 600. The middle income has shifted from two and three-room apartments to single room 'barsatis' with poor amenities or move to low income areas. It is apparent, therefore, that if the low income families are to be housed properly, it can only be achieved where the total supply of housing for all sections of the community has expanded rapidly.

PROMOTING HOUSING TO EXPAND TAX-BASE

Therefore any policy measure that is contemplated must be such as to increase the total housing at a rapid pace. Concessions in property tax have worked well in some of the European countries after the large scale depredations of the last war. There is no reason why the same should not be tried out in India. At present such a concession is given only to those who occupy their own premises. What is needed is a concession to those who build for renting the premises so as to increase the returns on such investment which has progressively declined with rising costs of land, building materials as well as wages. Such concessions are generally given for a specified number of years in a graded fashion. If necessary this period could be longer where the accommodation is built for the weaker sections of the community.

Such tax concessions or incentives are not any different from the discounts offered for prompt payment of tax dues referred to earlier while discussing the erosion of the tax base. More than this, tax concessions which act as an incentive to rapid building can be rightly held to be a promotional measure on the part of the civic authority to expand its property tax-base.

HIGHER TAX ON LAND VALUES

It is in this context of promoting more building investment and thereby expanding the tax base that a preference has been shown in some countries for a tax based on land value rather than one leaning heavily on the building. A switch to heavy taxes on land and light taxes on building is likely to remove the disincentive to invest in buildings. It is held that land owners would be encouraged to develop sites more intensively to secure a flow of income from which to pay the land value tax. It penalises those who keep urban land vacant. It would encourage development most in central sections of the city where older and smaller buildings now stand and where rent control usually prevails and on the urban (rural) fringe where land owners would be less likely to hold out for future speculative gains. Insofar as the increase in land value has been the result of public investment in facilities and utilities, community development and population growth, and not due to any effort on the part of the owner, it is only proper that the community reaps the benefit from the periodical increase in the value of land.

The working of such a system of taxation based on land values in Australia, New Zealand, Jamaica, the city of Pittsburg

in U.S.A. and Hawaii has been reviewed by Nanjundiya⁸, according to which "administratively, it is easier to estimate the capital value of land separately than the total value of the land and building taken together". In Pittsburg and Hawaii a system of heavier tax on land and a lighter tax on buildings was introduced. Such a graded taxation measure combines the advantages of a site-value tax while at the same time the cost of the civic services necessary to meet the increased building activity as a result of the site-value tax is met by a relatively lower level tax on buildings. Insofar as this 'graded tax' was introduced in Pittsburg as early as 1913, an evaluation on its working in that city would be more meaningful. Proponents of the graded tax have attributed to this measure the urban renewal that has taken place there, since then. On the other hand, there are those who claim that by and large the transformation of the city was due to its Urban Redevelopment Authority having compulsory powers of acquisition of land for redevelopment according to a well defined 'city plan'. Commenting on this issue Nanjundaiya states⁹ as follows :

- (1) The main weakness of the graded tax as adopted in the Pittsburg is that the differential between the tax on land buildings was insufficient.
- (2) The credit for urban renewal in Pittsburg should go to a large measure to its Urban Redevelopment authority.
- (3) It is debatable whether even a complete site-value tax with no Tax at all on buildings would have achieved the desired urban renewal.

- (4) Yet, the graded tax despite its inadequacy has helped in keeping land values at relatively low levels.

In this connection it may be pointed out that the common assumption that a few policy instruments can solve the problem of urban renewal is not true, each measure has only a small impact on this complex problem. Therefore, a large number of diverse approaches all acting together are necessary for such renewals. That even a graded tax with an inadequate differential between the taxes on land and buildings was able to make land available for redevelopment at relatively low prices is a positive aspect of such a policy measure; since low land prices contribute substantially to an accelerated pace of house building and home ownership, this positive aspect of a graded tax system assumes greater importance.

CONCLUSION

To conclude, property tax constitutes the most important revenue source to a growing city. However certain aspects like central-city decline or rent control, undervaluation of properties and delays in tax recovery continually eat into the tax base. Besides the necessity to neutralise these, the city being constantly required to provide more and more civic amenities and services, must also strive to expand its property tax base. This may be achieved by providing tax concessions on new buildings in the existing rental value base assessment system or alternately through a heavy tax on land value and a light tax on building. Only a rapid pace of building activity would neutralise the erosion caused by central-city declines and rent control.

⁸B. Nanjundaiya, *Taxation of Urban Land and Buildings*, New Delhi, Planning Commission, Perspective Planning Division, December 1970, p. 8.

⁹*ibid*, pp. 19 and 20.

Judicial Decisions*

Supreme Court calls for a clearer definition of the word "industry" under the Industrial Disputes Act., 1947.¹

The Supreme Court has suggested that there should be a "comprehensive, clear and conclusive declaration" by Parliament as to what is an "industry" under the Industrial Disputes Act, 1947. The Court said that such a declaration was desirable in view of the "many rulings of the Supreme Court and the slippery semantics" of the words used in the statute and in order to avoid confusion "in an area where the common man has to understand and apply the law". The Court consisting of *Mr. Justice V.R. Krishna Iyer*, *Mr. Justice A.C. Gupta* and *Mr. Justice N.L. Utwala* was hearing an appeal filed by the Bangalore Water Supply and Sewerage Board.

In an order passed on this appeal the Court observed: "Long years of judicial attention by the Supreme Court and the High Courts had not happily resulted in a harvest of rulings or harmony of pronouncement on the question whether a club, a hospital, university, electricity board or water supply and sewerage board or other public utility concerns or even a solicitor's firm is an industry."²

These rulings did not help the two wings of the industry, viz., management and labour, to understand and apply the provisions of the Industrial Disputes Act, the order said. "The Judges have been baffled by the absence of a consistent line or clear ratio even after the *Management of the Safdarjung Hospital* case³ where a bench of six Judges of this Court ruled on what is an industry vis-a-vis the three hospitals which came up in that case." The Court further said: "It is indisputable that this is an area of law which affects a vital base and expanding segment of economic activity and concerns considerable number of workers for whom the Constitution shows special care. It is an unhappy state of affairs if the law on this matter should remain in the penumbra of uncertainty and result in an *ad hoc* adjudication in particular situations.

"One should have thought that an activist Parliament by taking quick policy decisions and by resorting to a mandatory processes would have simplified, clarified and delimited the definition of 'industry' and if we may add 'workman'. Had this been done with aware and alert speed by the legislature, litigation which is the besetting sin of industrial life could well have been avoided to considerable degree."

The Court added: "Consummation may perhaps happen on a distant day, but this Court has to decide from day-to-day disputes involving this branch of industrial

*Compiled by M.K. Balachandran, IIPA, New Delhi.

¹The judgement was reported in the *Indian Express*, January 23, 1976.

²For a discussion on the applicability of the Industrial Disputes Act, 1947, to municipal employees, see M.K. Balachandran, "The Industrial Disputes Act and the Municipal Employees", *Nagarloka*, Vol. IV, No. 3, July-Sept. 1972, pp. 38-47.

³AIR 1970 SC 1407.

law and give guidance by declaring what is an industry through the process of interpretation and reinterpretation with a murky accumulation of case law."

The Bench, however, directed that since the present case involved a decision on the same issue, it be placed before the Chief Justice for consideration by a larger bench "if in the meantime Parliament does not act. This Court may have to illuminate the twilight area of law and help the industrial community carry on smoothly"

MEHKAR MUNICIPAL COUNCIL, V. MUNICIPAL OCTROI EMPLOYEES' UNION, MEHKAR.⁴

The activities of the octroi department of a municipality do not fall within the ambit of the definition of "industry" under the Industrial Disputes Act, 1947.

The question that arose in this case was whether the employees working in the octroi department of the petitioner municipal council were "workmen" as defined in the Industrial Disputes Act, 1947, and whether the said octroi department was an "industry" for the purposes of section 33C(2) of the said Act.

In this case, the employees working in the octroi department of the municipal council, Mehkar, filed an application before the labour court at Nagpur under Section 33C(2) of the Industrial Disputes Act claiming computation of the benefit in the form of a weekly off in terms of money and also overtime wages. The labour court granted the claim of the employees for computation of the benefit of a weekly day of rest in terms of money and this was challenged by the municipal council.

The petitioner contended that the octroi department of the council was not an industry as defined under Section 2 (j) of the Act and as such the labour court had no jurisdiction to entertain the claim of the employees. Reliance was placed on the Court's earlier decision in *Abdul Sabir V. Municipal Council, Bhandra*⁵ that the octroi department of a municipal council (in that case it was governed by the Maharashtra Municipalities Act, 1965) could not be held to be an "industry" under the Act.

The respondent, however, argued that the decision in *Abdul Sabirs'* case required reconsideration in view of the Full Bench decision of the Punjab and Haryana court in *Banga Municipality V. State of Punjab*⁶ where the Court relying on the Supreme Court decision in the *Nagpur Corporation case*⁷ had held that the octroi department of a municipality was "industry" as defined under this Act. This Full Bench had rejected the argument in that case that the authority of the decision of the Supreme Court in the *Nagpur Corporation case* was shaken by the subsequent decision of the Supreme Court in the *Safdarjung Hospital Case*.⁸

⁴1975 MCC 401 (High Court of Bombay, D/Sept. 18, 1974)

⁵1969 Mh.L.J. 532.

⁶1973 Lab. IC 360.

⁷AIR 1960 SC 675.

⁸AIR 1970 SC 1407.

The respondent argued that the activity of the tax department of a municipal council or corporation could not be considered in isolation and that an overall picture of the activities of that body had to be considered and inasmuch as the main purpose of taxation was to raise funds which would go to provide money for the several activities of the body, it was the dominant activity and the nature thereof that had to be considered and since the department dealing with taxation and the recovery of taxes was really in the nature of a feeding activity, it must be held to be an "industry" and according to the respondent it was so held by the Supreme Court in the *Nagpur Corporation Case*.

On the other hand, the petitioner argued that in view of the pronouncement of the Supreme Court in *Gymkhana Club*⁹ case, the *Safdarjung Hospital* case and the *Federation of the Indian Chamber of Commerce* case,¹⁰ the entire concept of what activity should be treated as an "industry" had undergone a radical change and the test for deciding whether an activity was an "industry" or not as laid down in the above three cases had substantially shaken the authority of the decision on the *Nagpur Corporation* case. It was urged that the Full Bench of the Punjab and Haryana Court had failed to observe certain important observations made by the Supreme Court in the *Gymkhana Club* case and since the *Abdul Sabir* case was based on the later decision of the Supreme Court, it did not require any reconsideration.

As the above arguments necessitated a discussion of the manner in which the definition of the expression "industry" under the Act had undergone a material change from time to time, the Court reviewed at length the various decisions of the Supreme Court on this particular aspect starting from the first important decision in the *Budge Budge Municipality* case.¹¹

After examining the various decisions in detail, the Court observed. "Even in the case of a local authority as was expressly pointed out by Hidayatulla, C.J. in the *Madras Gymkhana Club* case, an activity cannot be regarded as an industry unless it produces material goods or renders material services and does not share by delegation in governmental functions or functions incidental thereto. If it is found that any activity of a local authority partakes of governmental functions or functions incidental thereto or it does not result in the production of material goods or rendering material services, in view of the statement of the law laid down in the later decisions, that activity of a local authority cannot be covered by the term "industry".

The Court pointed out that the only test laid down in the *Nagpur Corporation* case for distinguishing between a municipal function and a regal function was to see whether a private individual would have carried on an activity if it was an activity in the exercise of regal functions, and if a private individual could have carried on that activity, then the test of an "industry" was satisfied and that activity was liable to be held as an

⁹AIR 1968 SC 554.

¹⁰AIR 1972 SC 763.

¹¹AIR 1953 SC 58.

"industry". This test, the Court observed, had been expressly rejected by the Supreme Court in the two later cases.

It was also pointed out by the Court that the *Nagpur Corporation* case was not an authority for the decision that an activity to the levy of octroi was an industrial activity. That question was expressly left out of consideration since the employees had not filed any appeal and "that decision, therefore, cannot be treated as an authority which foreclosed all further consideration of the question whether the octroi department of a corporation or a municipal council was covered by the term "industry".

The three regal functions which were expressly referred to by the Supreme Court in the *Nagpur Corporation* case were the functions confined to legislative power, administration of law and judicial power. The Court pointed out : "The power to tax is essentially a legislative power and taxation is a legislative function, and it will, therefore, even otherwise expressly fall within the concept of the regal functions contemplated by the *Corporation of the City Nagpur* case in the Supreme Court". The Court cited with approval the observation of Willis on Constitutional Law (1936 ed). that "the levying of tax is a legislative function ; the determination of the amount of each individual's tax is an administrative function ; but whether either function has been properly exercised is a judicial function".

The Court, therefore, held : "If taxation was essentially a legislative function and, therefore, it really partook of a regal function, the administration of the tax department and performance of the function incidental thereto will clearly, in our view, be in the nature of a governmental function because it is a part of the governmental activity to recover taxes and make adequate provision for their recovery. Therefore, any activity which is connected with or is incidental to the power of taxation bill, in our view, be clearly covered by governmental functions and cannot be termed as an "industry" as the concept has now been explained by the Supreme Court."

In the *Banga Municipality* case, the Punjab and Haryana High Court had held that the octroi department "has a direct bearing on the other activities of the municipal committee which render material services to the community at large, because the funds realised by the municipal committee from any source, including the octroi department, are spent for rendering material services". This approach, of not considering the activities of the octroi department as independent of other activities, the Court held, "is again not warranted by the decisions of the Supreme Court in the *Madras Gymkhana Club* case and *Safdarjung Hospital* case". The Court pointed out that the observation in the *Madras Gymkhana Club* case that "local authorities cannot be regarded as industry unless they produce material goods or render material services and do not share by delegation in governmental function or functions incidental thereto", clearly contemplated "a functional division of the activities of the local authority" and therefore "leave no scope for the argument that the activities of the Corporation as a whole had to be taken into consideration, which, if accepted, would not even justify the leaving out of the activities in the nature of regal or governmental functions".

The Court, therefore, held that there was no reason to depart from the view taken in *Abdul Sabirs*¹² case that the octroi department of a municipal council was not an industry within the meaning of the Act. The order of the labour court was, therefore, quashed.

THE AMRITSAR IMPROVEMENT TRUST V. BALDEVA INDER SINGH¹²

The Improvement Trust under the Punjab Town Improvement Act, 1922, has no competence to include in a development scheme, areas outside the municipal limits for the purpose of development.

The Amritsar Improvement Trust resolved to frame a development-cum-housing accommodation scheme for certain areas (including areas outside the municipal limits) under Sections, 24, 25 and 28(2) of the Punjab Town Improvement Act, 1922. Under the scheme, the area was to be developed as a commercial *cum* residential area and an industrial colony was also to be provided. Sites were to be earmarked for the construction of houses for service men and also for labour and harijan colonies.

The scheme was published and objections were called for. One of the objectors contended that the Trust had no competence to include in a "development scheme" areas outside the municipality. The Trust rejected all the objections and approved the prepared scheme. The Government also sanctioned the scheme as approved by the Trust.

In a writ petition filed before the High Court it was urged that under the Act, the area outside the municipality could be taken over either under an "expansion scheme" or a "housing accommodation scheme" but not for a "development scheme". The High Court accepted this contention and held that the Trust had no power to include in a development scheme, areas outside the municipal limits for the purpose of development.

Under the Act, Section 24(1) deals with the preparation of a "development scheme", Section 24(2) with the preparation of an "expansion scheme" and Section 24(3) prescribes what are the matters to be included in a development scheme. Section 25 provides for the preparation of a "housing accommodation scheme" and Section 28(1) provides that the scheme under the Act may combine one or more types of schemes or any special features thereof. Section 24(1) specifically provides that the development scheme can be prepared only for the purpose of development of any locality within the municipal limits and Section 24(2) provides that the expansion scheme can be prepared to promote and control the development of and to provide the expansion of a municipality on any locality adjacent thereto.

After examining the above provisions, the Supreme Court observed : "It is clear from Section 24(1) that a development scheme cannot include areas outside the

¹²1972 I SCC 165.

municipal limits. Therefore, if a scheme includes both areas outside municipal limits and inside its limits, such a scheme cannot be prepared under Section 24(1)... From the resolution of the Improvement Trust, it is clear that it purported to prepare a development scheme *cum* housing accommodation scheme. It did not purport to prepare an expansion scheme."

The Court pointed out that the legislature had given specific names to the various schemes to be prepared by the Improvement Trust. Hence "when the Trust says that it has prepared a development scheme it is not possible to hold that in fact it had prepared an expansion scheme." The Court said that the power conferred on the Improvement Trust was not a plenary power, but was a power which was to be exercised in accordance with the conditions laid down in the Act. If the Trust desired to prepare an expansion scheme it should have formed an opinion in that regard by inviting objections from the public. The Court observed that from the resolution passed by the Trust it did not appear that it had formed any such opinion. "Under the circumstances, it is not possible to accept the contention of the appellants that as the resolutions of the Improvement Trust refers to Section 24, we may conclude that the scheme prepared is an expansion scheme. The resolutions do not merely refer to Section 24. They also say that the scheme prepared is a development scheme *cum* housing scheme. If these resolutions are read as a whole, it is clear that the Improvement Trust purported to act under its powers under Sections 24(1) and 25 and not under Section 24(2)."

The Court admitted that "if an authority has a valid power to do a particular act, the fact that it purported to do that act under a provision of law which did not confer power to do that act, would not invalidate the act", but observed that this principle was not acceptable to the facts of the present case. The Court said : "Before taking action under Section 24(2), the Improvement Trust had to form a particular opinion. The formation of that opinion is a condition precedent. Until the Improvement Trust forms that opinion it is incompetent to take action under that section. The Act has not conferred any blanket power on the Improvement Trust to frame any scheme which it thought fit. That being so it is not possible to uphold the contention of the appellants that the impugned scheme can be traced to a valid power".

The Court further pointed out that the schemes framed by the Trust did not come into force automatically. They had to be sanctioned by the Government and the Government might accept them, reject them, amend them and even send them back to the Trust for reconsideration. "Hence it is necessary for the Government to know before sanctioning the scheme as to what the scheme is, so that it may examine whether the scheme is necessary or feasible. Unless the Government is informed as to the nature of the scheme, it would not be possible for the Government to consider whether the scheme should be sanctioned or not. In the present case the Government was informed that the scheme in question was a development *cum* housing scheme. It has approved the scheme. We do not know whether it would have sanctioned an expansion scheme."

MUNICIPAL CORPORATION OF DELHI V. SMT. SHANTI DEVI¹³

Whenever the Corporation assesses the house-tax without taking into consideration the standard rent of the premises, it acts without jurisdiction and the civil courts have jurisdiction to entertain the suit and decide this question.

The respondent in this case was receiving rents at the rate of Rs. 200 and Rs. 90 per month for the premises owned by her during the year 1957-1961. However, on an application made by the tenants the standard rents for these premises were fixed under the Delhi Rent Control Act at Rs. 40 and Rs. 18 respectively with effect from May 9, 1957, and October 18, 1957. The order fixing the standard rent was, however, issued on September 14, 1961.

The appellant corporation had assessed the property tax till 1961 on the basis of the actual rents paid by the tenants. They issued a notice of demand on February 5, 1975, for the arrears of tax relating to the period starting from April 1, 1957 to March 31, 1961. The respondent filed a suit praying for a permanent injunction for restraining the appellant to enforce the demand on the ground that only the standard rent could be taken into consideration for assessment. The trial court decreed the suit.

The appellant contented before the High Court that the civil court had no jurisdiction to entertain and try the suit, because the assessments made had become final under the provisions of the Municipal Act. In support of this contention, the appellant referred to an unreported judgement of the Court in *Modi Industries Ltd. V. Union of India*¹⁴ in which the principles for excluding the jurisdiction of the civil courts were laid down. It was held in that case that if a statute gave a finality to the orders of the special tribunal, the jurisdiction of the civil courts must be held to be excluded if there was adequate remedy to do what the civil courts would normally do in a suit. It was further observed in that case that such provisions did not include those cases where the provisions of the particular Act had not been complied with or the statutory tribunal had not acted in conformity with the fundamental principles of judicial procedure.

The Court, therefore, held that the jurisdiction of the civil court to find out whether an authority had acted without jurisdiction, was not ruled out. It cited with approval the decision of the Punjab High Court (Circuit Bench of Delhi) in *Municipal Corporation of Delhi V. Ganesh Dass*¹⁵ where it was held that whenever the Corporation assessed the house-tax without taking into consideration the standard rent of the premises, it acted without jurisdiction and the civil courts had jurisdiction to entertain the suit and decide the question. In that case, Court pointed out that the owner of the house in question had in fact even paid the house-tax assessed by the Corporation and after the standard rent was fixed, he filed a suit for the refund of the excess amount paid by him.

¹³1975 MCC 465 (High Court of Delhi, decided on May 9, 1975).

¹⁴Suit No. 506 of 1967 decided on December 22, 1972.

¹⁵1964 PLR 361

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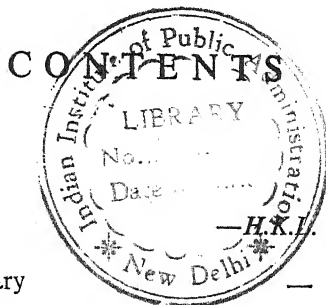
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SPECIAL ISSUE ON Social Indicators for Urban Development



	PAGE
Editorial	iii
Inaugural Speech	1
Seminar Proceedings—A Summary	4
Concluding Address	9
Social Indicators for Urban Development	11
Goals for Urban Planning with Reference to Programme	16
Urban Social Indicators—Concept and Approach	27
Socio-Economic Indicators for Development Planning	31
Social Indicators for Communication in Urban Areas	52
Indicators for Urban Poverty	58
Assessment and Output Indicators for Urban Health and Family Planning Programmes	64
Social Indicators of Housing and Urban Development	83
Importance of Social Indicators in a Scheme of Programme Budgeting	103

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EDITORIAL

There is a saying that if you try to turn a stone into gold by squeezing it, all you will get is an injured hand. Such seems to have been the experience of those who, in the past, have attempted to identify social indicators for urban settings. In an amorphous setting such as the city, the variables are so many and so complex, that it is indeed a herculean task to construct such indicators. Indicators are important, since as measures of community well-being, their relevance to the social scenario is being realized in the context of urban development perspectives. In order to focus the attention of social scientists, planners and policy makers on the importance and relevance of social indicators for urban development, the IIPA's Centre for Urban Studies organized a seminar during March 26-27, 1976 to concentrate on the : (a) general problems of social indicators for the urban areas, (b) specific aspects of social indicators around the various components of urban development, and (c) relationship between urban planning and social indicators. The papers submitted at the seminar, the inaugural and concluding addresses, and the summary proceedings of the seminar are now being published as a Special Issue of this quarterly.

We are conscious of the inadequate coverage of the papers being published, we tried to get papers on all the important components of urban development, especially on environmental health, pollution, traffic and transportation, education, crime and public order, and so on. However, due mainly to the novelty of the theme, it was not possible to have papers covering all the important areas. We hope to publish articles on these themes in the future issues of NAGARLOK.

It has been our practice to publish a select bibliography and book reviews on the theme of Special Issues. Again, the search for Indian publications on the subject proved futile and we, therefore, felt that for the time being we could draw the attention of our readers to the following two foreign bibliographies on social indicators:

- (i) AGOCS, CAROL, "Social Indicators: Selected Readings", *The Annals of the American Academy of Political and Social Science*, March, 1970
- (ii) SHONFIELD, ANDREW AND STELLA SHAW (eds.), *Social Indicators and Social Policy*, Appendix I: Bibliography on Social Indicators, Heinemann, London, 1972

We hope to publish a book review of the only Indian publication on social indicators: Ramkrishna Mukherjee, *Social Indicators*, Macmillan, Delhi, 1975 in a future issue of NAGARLOK.

—Editor

Inaugural Speech

THE excellent response from the experts and the organizations—both governmental and non-governmental—in contributing some papers and taking pains in actual participation in the seminar on Social Indicators for Urban Development is in itself a happy indication of the growing interest in the study of urban problems. The effort towards the identification of quantifiable and meaningful criteria to improve the lot of the urban population and public services and institutionalizing the functions into a meaningful response system is a timely venture when we are evolving a comprehensive approach to urban development. This will facilitate formulation of purposive policies, programme, projects and appraisal. This exercise, I believe, would enable in the development of proper guidelines to eradicate and eliminate the obstacles in the purposeful and systematic growth of urban centres, big and small, so that the benefits of development are distributed evenly over a given geographic area to link it up with total system of human settlements.

India has about 3,000 urban areas holding 120 million people at present and, according to futurologists, the number of urban centres will augment to 5,000 covering about 300-350 million people at the end of the 20th century.

The above dimensions are disturbing, because India's urban population is larger than

the total population of Japan, as also of Indonesia, and it will grow equivalent to approximately twice the size of USA's present population. Today, our urban population is almost equivalent to USA's urban population. A rich country like USA is also faced with many enigmas in solving the problems generated by the growth in urban population and in providing essential and community services as well as in mobilizing the finances for urban governments. Ultimately, all these impinge on the economic and social welfare of the people. In a developing country like ours—presently holding thrice the population of USA, the solution of various socio-economic problems, and more so that of urban areas, is strewn with many difficulties. Even the identification of various maladies of the urban centres is a 'hit-and-miss' task.

In our Plan strategy, we have made attempts to give priority to urban development. A sizable portion of our Plan allocations has been made for urban housing schemes of the economically weaker sections, the low income groups and the middle income groups, industrial housing, slum clearance and improvement, land acquisition and development, etc. Nonetheless, I admit that the proportion of investment in housing to total investment has come downwards from 19 per cent, in the second plan to 15 per cent, in the third; to 12 per cent in the fourth; and to 10 per cent in the fifth. Nearly 25-30 per cent of the

*Inaugural Speech of Shri H.K.L. Bhagat, Minister of State, Union Ministry of Works and Housing, Government of India.

urban dwellings in the country are still temporary and *kutchas* structures and the overcrowding has increased since the average number of persons per dwelling has moved up from 5.6 in 1951 to 5.9 in 1971.

The foregoing data, however, need not discourage us; they are an indication of the need to step up our efforts to provide adequate shelter to the urban poor with a sense of determination and purpose. It will be a rewarding exercise on the part of all those who have gathered here to find adequate and viable remedies for these overwhelming problems. For this, we need a clarity of purpose—and a will to diagnose the maladies that plague our urban scenario. This can be done by evolving of a few penetrating economic and social 'indicators' which will highlight the prevailing social situation and pinpoint the areas where immediate remedial action is called for. In this task, the experts who have assembled here will have to identify the path-breaking quantifiable tools and instruments to judge the urban situations and diagnose the bottlenecks in the programming and implementation. Participation by so many delegates with valuable technical and analytical inputs should result in a hopeful outcome of the deliberations of this seminar. This would be both realistic and at the same time useful to the policy makers to fashion a relevant and meaningful set of administrative policies and programmes.

Perhaps it will not be out of place, if I mention some problems of urban planning which come to my mind. The town and city planning exercises today are confined to 'land use' and 'physical planning' only. These should not be isolated from the social ethos and economic perspective of overall developmental planning in the country. To ignore, for example, this crucial approach will

be perilous. The guidelines for future planning must provide the prescriptions which would tide over the development of slums and squatter settlements, rather than, later on, unearth the cures through clearance and improvement.

There has been a fast growth of urban population all over the globe. According to the UN Publication in 1971, the slums and squatter population formed a nearly substantial per cent of the total urban population in certain cities; for example, in Brasilia, 41 per cent; in Mexico city, 14 per cent; in Caracas, 21 per cent; in Colombo, 44 per cent; in Djakarta, 25 per cent; in Baghdad, 29 per cent; in Karachi, 33 per cent; in Ankara, 60 per cent; and in Singapore, 15 per cent. In our metropolitan cities and A-class cities also the proportion of slum and squatter population ranges between 33-50 per cent easily—where hardly any of the essential and community services exist, such as supply of potable water, sanitary facilities, roads, pavements, etc., and overcrowding is suffocatingly high. Therefore, I wish that you deliberate on some special indicators to judge the state of affairs of this class of our urban population—which indeed is a blot on our urban map.

Urban land is a scarce and key factor in urban development. This factor cannot be left to *laissez faire* attitude and the public authority must step in to check the unbridled speculation in the urban land market. In this direction, we have promulgated the Urban Land Ceiling Act which fixes vacant urban land ceilings in a flexible way—according to the population size of some 65 class I cities. This is only a first step and I believe that your seminar will fully debate on the question of an indicator, such as the proportions of urban land holdings by the public sector and the private sector—because I feel that a larger

holding by the public sector will serve as a blessing. On the one hand, it will check speculation in land by purchase or sale of public land holdings in the urban land market according to decline or rise in the prices of land, and on the other, it will obviate concentration of land holdings and ensure equitable distribution of this key factor amongst the various income-groups of households in the urban economy.

In your set of indicators, I might suggest the inclusion of an indicator of 'fiscal equity' that might be practised at least by class I cities, say, between main city and suburbs and between the urban rich and urban poor, through various redistribution of urban governments' revenue resources and expenditure-allocations. This will ensure that the rich citizenry does not benefit at the cost of the poor in respect of rent and tax burdens and enjoy a disproportionate amount of civic services. The development of such an indicator will perhaps go a long way in the maximization of economic and social welfare at all levels of urbanites.

If cities are not to break down, if social

tensions are to be avoided, and if the urban deluge is not to overwhelm us, we must have an integrated approach of development on a regional basis. This may necessitate integrated rural development about which the Finance Minister had spoken while presenting the Budget. The minimum needs programme ushered in the fifth Plan and also the 20 point programme of our Prime Minister to remove structural economic and social contradictions will be able to arrest the wave of rural-urban migration and may mitigate to a certain extent, the ugly growth of urban areas and the adjoining countryside.

Lastly, I must mention about the international interest in urban problems and ecology. The International Bank for Re-construction and Development and other United Nations agencies, as also bilateral arrangements by the developing countries, have begun to bear fruit in improving urban administration, transportation, communication, sewerage, sites and services for housing development on soft-term loans. It is our task to take advantage of this and use this as a function for raising urban levels of living.

Seminar Proceedings—A Summary

THE scope of the seminar included consideration of the application of social indicators to the measurement of socio-economic changes in the urban areas, consideration of suitable indicators among the various components of urban development in its physical sense, and the use of social indicators for urban planning and policy intervention.

It was pointed out that 'urban development' should be concerned not only with physical improvement of the urban areas, but also improvements in the quality of life, both from the individualistic and the community points of view. Another participant observed that while the concept of social indicators was operationally meaningful at the national level, for sub-national measurement it raises a number of problems of collection and interpretation of data. An urban area, being an open system, would be influenced by migration of commodities and population from other areas. It would, therefore, be difficult to adopt norms of development for these areas that are out of tune with the average norms for the country as a whole.

A distinction was drawn between autonomous change and induced change in the urban social situation. Development is really an induced change and the normative element is inherent in goal-setting for policy or planning. Therefore, any discussion of social indicators for urban development must take into account the prevailing societal objectives, like, provision of minimum levels of civic services, reduction of poverty and adoption of appropriate technology for the urban infrastructure. It is appropriate to formulate

urban social indicators within the framework of a national urbanization policy.

One participant urged for precision in the definition of social indicators and the need to accommodate variations in desired standards to suit local needs and conditions. Another participant wanted suitable linkages between national and local indicators within a system of multi-level planning. There was also a plea to evolve suitable qualitative indicators to measure changes in values and attitudes. To the extent these could be quantified through reliable survey data, it is possible to construct appropriate indices to measure the 'quality of life'. But, in practice, this is likely to be difficult as it would be necessary to elicit reliable response on one's feelings and, still more difficult, to check these with their actual behaviour.

Another participant indicated the emergence of an international consensus on social indicators arising out of an UN report in 1954, although in India its history is only of four years. There are obvious differences in approach to the concept of social indicators among various disciplines. Basically, social indicators are statistical variables used in a meaningful way to measure changes in the society. There is a need for a large volume of data relating to urban development to construct social indicators and attention should be focussed on identifying the required data and using the existing data. Without the help of basic statistics, it is not possible to evolve meaningful indicators.

On urban social indicators, the UN Centre for Housing, Building and Planning

had set up two working groups on: (i) social indicators, and (ii) physical standards. Also, an *ad hoc* expert group was convened in 1971, in Dublin, to examine the issues connected with social indicators for housing and urban development. It would be useful to study the recommendations of these groups for their relevance and applicability under Indian conditions.

It was admitted that the goals of social improvements, expressed through indicators, would vary from place to place, and also among the countries. Separate goals are needed for the metropolitan areas and other urban areas due to variations in urban infrastructure. Social indicators should also be related to appropriate standards to improve the quality of life in the urban areas. The goals of improvement of urban life can no longer be too much out of step with that of rural life. Also, one has to take into account the resource constraints for development and its spatial distribution. In India, one of the major problems of development is the reduction of disparities of public services in the urban and the rural areas and since the majority of Indians are ruralites, the Western strategy of urban development may not suit our conditions.

One participant would have liked the development programmes to be related to the needs of the various social and economic groups in the urban areas, while another participant thought it proper to specifically consider the urban poor as the relevant target group for evolving an urban development strategy. It was pointed out that although the town planners are not always sure about their planning goals, their survey data could provide a valuable source of relevant information for social indicators. Since social indicators give direction to social change, it is necessary

to regard indicators as a basis for meaningful policy formulation and planning in the urban areas. There was emphasis on the need for (a) reducing the gap in living standards between the rural, suburban, urban and metropolitan areas, and (b) achieving a minimum level of quality of life in the urban areas within the constraints of limited resources.

It was also pointed out that the GNP was an inadequate indicator of development and a concept of national welfare was needed to include the social goals of development. There was also some discussion on the distinction between positive and normative social indicators and the relevance of the latter for policy-formulation and evaluation of results.

SOCIO-ECONOMIC INDICATORS

The socio-economic indicators in urban development were considered in terms of demographic characteristics, techno-economic base, employment pattern and levels of living in the urban areas. Two divergent views were expressed on the concept of urban development. One view was that this should include the development of the urban infrastructure and are not to be diffused to include the total development spectrum in an urban area; while the other view was that, unless fundamental economic relationships, social interactions and levels of living are considered in the urban areas, the hardware programmes of public facilities would really hang in the air and not relate to the needs of the people. Problems of poverty and the patterns of income distribution could be tackled through a variety of ways and the provision of public facilities is one of the means of improving the nature of public consumption.

The seminar was informed that the UN Research Institute for Social Development

has developed 18 significant indicators for social development in the urban areas. The results of application of these indicators were found to be highly significant for about 40 countries in the developing world. The efforts of the United Nations in the mid-fifties on the levels of living also had a bearing on social indicators.

It was pointed out that the social indicators need to be related to human settlements. In the developing countries, these have pronounced rural character, even in the identifiable urban areas. The supply of public services need to be related to the work-pattern and life-style of the people. There was also emphasis on the concept of minimum social needs, apart from the physical necessities of life. The quality of life, both individual and social, is more important than mere consumption of public services. Emphasis was placed on the emotional and social needs of the urbanites and the need to inter-relate various public services in this direction.

The consensus seemed to be that the social indicators are to be related to the urban development process which will take care of both the physical and psycho-social needs of the urban community.

INDICATORS ON URBAN INFRA- STRUCTURE

The session started with a discussion of the idea of need-based planning in the urban areas. It was pointed out that due to resource constraints, it may not be possible to pursue an entirely need-based planning strategy, although an accepted need-based programme may be translated through fixation of plan targets. There was agreement that the existing data could be suitably modified and

processed for developing social indicators for particular segments of urban infrastructure. An important function of the social indicators is to give direction to the changing goals of planning. It was suggested that territorial indicators should be developed within an action framework and expressed in output-oriented terms, indicating community satisfaction.

On health indicators, the view was expressed that a need-based programme, though desirable, is not feasible under present conditions in India. Regarding housing indicators, it was pointed out that the unit of social indicators should be the household and not the dwelling. This is due to the basic difference between the developing and the developed countries with regard to availability and distribution of housing and is in sharp contrast to the UN definition, which favours dwelling, as distinguished from the housing unit. The emphasis should be on housing conditions, and not on occupancy rate.

One participant remarked that although there are norms with regard to individual infrastructure facility in the urban areas, these are not used as planning targets for goal-setting, monitoring and evaluation purposes. Another participant suggested, the development of composite indicators combining both urban facilities and services to ensure a minimum level of living. Still another participant wished that the communication gap between the experts and the decision-makers to be reduced, so that tools like, social indicators, are actually used in decision-making. The need for updating the indicators was stressed, along with the necessity of a supporting system for urban information, like, a data bank. The management aspect of the infrastructure was emphasized so that the urban system could cope with the demands

placed on it. Simultaneously, there is also the need to improve the resource base for the public authorities operating in the urban areas.

It was pointed out that social indicators for urban development could be constructed around two areas; (a) characteristic of population and their living standards, and (b) levels of available social services. Social indicators on urban infrastructure would properly belong to the second category; although, for policy purposes, we need indicators under the first category as well.

There was also discussion about the need for suitable response indicators to relate the existing social indicators to popular aspirations, although it was admitted that difficulties in the collection and interpretation of attitude data pose formidable conceptual and operational problems.

The highlights of the discussion on urban infrastructure were: (a) the need to improve the urban data base, (b) suitable modifications of the UN indicators to suit the needs of the developing countries, like India, (c) need for output-oriented normative indicators for use in planning, (d) construction of living indicators to cover the needs of the urban poor, (e) relating urban indicators to specific geographical limits, (f) need for a system of differentiated indicators to cover different types of settlements, and (g) the necessity to search for indicators that reflect community values and aspirations.

SOURCES AND USES OF URBAN INDICATORS

The last session was devoted to the identification of sources and uses of social indicators for urban development. It was suggested

that a small group be constituted, from among the participants of the seminar, to follow-up some of the ideas thrown up in the discussions and come out with concrete suggestions to be reviewed by an expert colloquium later. The recommendations of the colloquium could then be forwarded to the potential users of social indicators, such as, the Planning Commission and the Indian Council of Social Science Research.

The difficulties of constructing acceptable impact indicators in respect of the social and regulatory services in the urban areas were emphasized. There was also some discussion on the distinction among the various types of indicators for various purposes, such as, position indicators, normative indicators and evaluation indicators. It would also be necessary to obtain regular feedback on the performance-type indicators, as distinct from impact indicators, for evaluation purposes.

The major data sources in the urban areas identified were: (i) the Registrar-General's Office, (ii) the National Sample Survey Organisation, (iii) the Commissioner of Scheduled Castes and Tribes' Office, (iv) the Reserve Bank of India, and (v) the Office of the Economic Adviser in the Ministry of Industry and Civil Supply. In addition, the Government of India is the repository of vast data on trade, employment, production, prices, commodity movements, taxation, money supply, and so on. These are all in the nature of primary data sources. The soft data sources identified were the Indian Council of Social Science Research, the various universities and research institutes, individual research scholars working in India and abroad, etc. In spite of this formidable array of organizations churning out raw data, it was felt that the data sources on social statistics were scanty, both in variety and quality.

Mention was made of the suggestion by the former Director of the Central Statistical Organisation to start a few socio-economic observatories across the country to fill-up the data gap. The National Sample Survey Organisation and the Indian Council of Social Science Research could collect relevant social statistics for use in constructing social indicators. Mention was also made of the existing data at the local level, particularly the municipal and planning data, that could be screened and made use of.

There was also a need for a social compendium on the basis of statistical data over a time period. However, one should be modest

in these matters, particularly due to the twin constraints of cost and reliability. It was agreed that the goals and objectives of the decision-makers would ultimately determine the nature of data that need to be generated. Also, the problems of quantifying the intangibles are to be faced by the technicians so that the decision-makers could take these into account in a more conscious manner than at present.

In the end, the earlier suggestion to constitute a small working group on social indicators for urban development was reiterated and unanimously endorsed by the participants of the seminar.

Concluding Address

THE seminar on social indicators for urban development, which has had a rich response from the experts, is an indicator of the growing interest in problems relating to urban development. I understand that you have already covered a fairly wide field and considered not only the general concepts of social indicators, but also attempted to concretize these in the specific field of urban development. This is a novel approach and I congratulate the organisers for initiating discussion in a field which is somewhat abstract and, if I may say so, nebulous. Yet, the concept is full of potentialities for practical application on the ground and may prove to be a useful tool in the hands of planners and decision-makers in our urban areas.

Urban development has for long been rooted in conventions and dogmas of physical land-use planning. It is necessary to widen the concept and evolve a comprehensive approach to urban development. Basically, it would involve supplementing the efforts of the physical planners by including the diverse approaches of the sociologists, economists and operations researchers so that the very process of urban plan formulation becomes multidisciplinary in character.

Apart from the necessity to change the content of urban planning, it is also imperative that urban planning must be made more purposive and goal-oriented. There is a feeling that so far our conventional town

planning exercises have failed to cater to the needs of the urban poor and our planners did not formulate their recommendations in terms of the target groups in our towns and cities. The absence of such a vital dimension in our planning methodology has increased the load of urban administrators who have to bear the consequences of urban poverty and adjust the planning imperatives to the reality of life.

The third gap in our urban planning exercise is the divorce between planning and implementation. This has come about partly as a result of relegating planning to the exclusive preserve of planners and its implementation in the hands of administrators. Institutional separation between planning and implementation or between development agencies and maintenance agencies might also be traced to the same tradition. Ideally, these must be viewed as part of a single exercise so that planning not only includes goals or target-setting and consideration of alternative choices, but also, in this context, considers the supporting machinery for implementation and monitoring. Development of programme and performance budgeting is thus essential in bridging the dichotomy between planning and operating decisions.

If this is the approach of a purposive system of planning which would be desirable to introduce in our major towns and cities, the next step would be to develop a consensus about the measurement system through which

*Lt. Governor of Delhi, Delhi.

we would know the socio-economic situation of a town or a city. Here is a lacuna that needs to be filled, not only on the social front, but also on the economic front. As is well known, national income accounting exercises have not been as yet related to local and sub-state requirements; nor are these comprehensive in nature to include the social dimensions of an urban area. In urban planning, whether at the state or the national level, the social situation assumes a very dominant role. Unless this is concretized and the various components of social development are identified for comparison, target-setting and evaluation purposes, the very concept of social development would remain somewhat vague.

Ideally, a system of social indicators must be initiated at the national level so that sub-national indicators could be developed in terms of the national aggregates. This would also mean certain uniformity with regard to local indicators. At the same time, much of the data would already be available only at the local level and it would be a pity if these

are not used in a more purposive manner for effective local planning and decision-making. At the macro-level, social indicators are more useful for reporting social situation, but at the micro-level these are vital instruments of planning and decision-making.

It would be presumptuous on my part to enter into the more technical questions concerning the construction of social indicators, but I wish to caution against an excessive zeal to introduce social indicators in substitution of the existing performance indicators used by the various public agencies for management control and evaluation. Both these types of indicators have complementary roles and uses.

Finally, in our search of quantification we should be careful not to throw the values underlying social policies and institutions. If we do not allow our enthusiasm to develop social indicators to undermine our way of life and limit these to specific requirements of urban development, we would have taken a positive step forward.

Social Indicators for Urban Development

THE use of social indicators by government agencies is a recent phenomena and is actuated by the realization that the conventional economic indicators like the GNP are inadequate indices to portray individual or family well-being in a society. This is primarily due to the restrictive concept of economic welfare and secondarily, to the difficulties associated in valuation of non-marketed products, the externalities and collective consumption. Nevertheless, the macro-economic concepts do equip us to understand the process of income determination. In the absence of a corresponding theory of determination of social welfare, it is extremely difficult to relate a set of social indicators to an objective criteria of welfare. Pending the development of such a social theory of welfare, social indicators might play an auxiliary role to the conventional economic indicators.

Broadly speaking, there are two distinct varieties of social indicators: objective and normative. Objective social indicators would portray the state of the society in terms of certain acceptable indices, which could be useful for various comparative purposes—historical, spatial and projective. The normative social indicators are useful for target-setting by the planning or public authorities for their programmes which could be monitored and evaluated in the terms of the desired impacts of public expenditure. In the planning context, the impact indicators, which are essentially normative in nature, assume critical importance.

Currently social indicators are being developed in terms of broad sectors for portraying social situation at the national level. Their use at the sub-national, city or community levels would call for not only agency-level data, but also their interrelationships in a given context—the target of reporting. In the case of urban areas, such data could be generated for concretizing the goals of development and also in integrating planning, programming and budgeting system for an entire urban area. Hopefully, this would integrate the currently practised separation between planning and implementation of urban development responsibilities. From this point of view, social indicators, when properly developed, would link the ends and means of urban development.

INDICATORS AND URBAN PLANNING

So far urban planning in India has been almost exclusively concerned with physical development, to the exclusion of the socio-economic aspects of development in urban areas. If the end product of development is the people, then planning must be related to their socio-economic status on the one hand, and embrace the entire range of public services devoted to the goals of development on the other. Viewed from this angle, urban planning suffers from a number of major drawbacks: (a) these are not goal-oriented, (b) these are not related to specific target groups, (c) these are not formulated in terms of alternative proposals, (d) these are not viewed in a systemic cycle of planning, implementing and operating urban

services. In fact, beyond prescribing a preferred land-use and implicitly suggesting a machinery for its enforcement, traditional town planning does little else. Its transformation into urban development would need a radically different approach to urban planning methodology and needed expertise.

Planning for urban development requires integration between planning and budgeting functions for public services in an urban area. Output budgeting by the local authorities and agencies is the first step when the existing input-budgeting system is transformed into output or performance budgeting. Even here, the budgetary indicators remain performance-oriented as so many gallons of water, so much of garbage removal, so many miles of roads or so many inspections made. To be meaningful in output terms, we would need to know what impact all these activities are having to bring about the desired change in the social and economic situation. It is here that social and economic indicators have positive roles to play. Water supply, for instance, is valued to reduce the incidence of gastro-intestinal diseases. A normative social indicator would, therefore, fix a target for reducing the incidence of such diseases and consider whether it could best be done through a water purification programme or an immunization programme or a combination of the two. Depending on the planners' targets, the mix of activities and their priorities would change. This exercise is basically an operations research approach to urban planning and provides a framework for adopting cost-effective measures. In technical parlance this is the planning, programming, budgeting system (PPBS). Basically, therefore, adoption of PPBS would entail development of an adequate range of social indicators for target setting, monitoring and evaluation of urban planning.

INDICATORS ON URBAN INFRA- STRUCTURE

Development of social indicators for the various components of urban infrastructure would have to be related to certain general standards acceptable and relevant in a given society and particular area. There are few universal standards in social services and these are intimately related to the economic capacity of the urban populace. If this is accepted, then one could argue that many of our planning standards for urban infrastructure need to be revised to suit local circumstances. From this point of view, the present need-based standards (calculated first in per capita terms and then blown-up to cover population projections) are to give way to demand-oriented standards, unless the public authorities wish to subsidize a specific programme or a specific target group. Social indicators in such a situation would portray the existing state of affairs with regard to urban infrastructure and when these are used for setting plan targets, would function as normative goals of urban development. Most of India's urban planning is conceived in terms of the normative values of the planners, rather than to the standards existing on the ground. The result has often been to aspire for unrealistic standards that are either not seriously pursued; or, if pursued, result in a distortion of total public service package available to the urban dweller. A set of objective indicators would, therefore, not only sensitize the urban planners to where action is needed, it would also help in formulating normative indicators that are realistic and flow from a base standard. In most areas of urban development, public policy and planning strategy may have to be exclusively concerned with the provision of a minimum standard. Here the trade-off between such a minimum needs programme and other viable or aesthetically desirable

programmes would be calculated on broader societal and political values; but the decision-makers will have to make explicit choices in the full knowledge of consequences.

The content of social indicators for urban development may be classified in terms of three levels: I — the household and its dwelling, II — the immediate housing environment for community, and III — the larger societal context. A concrete evaluation of the measures as also the prioritization among the levels, and within each level, would be the task of the public decision-makers and the political process. Nevertheless, it is possible to indicate in an outline form the contents of the three levels mentioned above.¹

Level I : *The Household and Its Dwelling*

Social indicators might be organised into four main categories, viz., (a) conditions of the dwelling structure, (b) crowding and household facilities, (c) housing costs in relation to income or consumption, and (d) tenure status.

Level II: *The Immediate Housing Environment or Community*

The number of indicators at this level is very large; their relevance also would be culture-bound. Important urban services would be, e.g., energy, transportation, renovation, space for children's activity, goods and services, health, education and recreation. In addition to these separate elements, certain structural phenomena would also be important, such as; (a) physical structure — densities, degree, zoning and bunching of functions, traffic-separation and safety, noise and pollution; (b) social structure—mobility

among social groups, slums and squatter settlements as determined by the location/layout of housing.

Level III : *The Larger Societal Context*

Here the search is for broader social, political and economic environment within which urban development issues are to be considered; examples—questions on employment and its distribution or in redistribution of population, public financing of housing and the system of subsidies, the structure of the housing market in terms of choice to single household, etc.

SOURCES AND USES OF URBAN INDICATORS

Sources

Useful social indicators for urban development would have to be constructed on the basis of data already existing and commissioning of new types of data that are not available. Broadly speaking, objective data may be available from three primary sources: (a) public agencies, (b) special studies and surveys, and (c) census. Information generated by the public agencies would be available either in terms of money spent and the quantity of services delivered or in terms of clients relating to the recipients and geographic distribution of public service. Since the public agency data would be generated as by-products of administrative activity, in many cases these may have to be processed before using these for constructing social indicators.

Many special surveys commissioned by local planning authorities, studies commissioned by the Planning Commission and state-appointed study teams in particular urban

¹ United Nations, *Social Indicators for Housing and Urban Development*: Report of the Ad Hoc Group of Experts, New York, 1973, pp. 10-12.

areas or for urban services might be useful. Also, various research and business organizations conduct sample surveys on particular aspects of city life which might be used.

Aggregative data at the national level are available from the decennial census of population, survey of industries, national sample surveys, etc. Of these the population census would be most useful, since the data can be disaggregated and it contains a variety of information on population and housing that are almost indispensable from the point of view of the urban planner.

Data on the attitudinal and behavioural aspects of urban life would be most difficult to obtain. Often special research investigations might throw up survey data which purport to reflect attitude or behaviour, but these are to be used with extreme caution. There are a variety of reasons for concealing one's real attitudes, while one's behaviour is tested only through actions. Nevertheless, any system of social indicators would remain incomplete if it does not attempt to measure the response system of the community or the target group.

Uses

As already indicated, urban social indicators have primarily two major uses—(a) publication of a condition of the city report and (b) strengthening the urban planning process.² The first is a descriptive status report of a city at regular intervals showing where and how the city has progressed or declined. The second use for planning purposes has been discussed and it is appropriate to further pinpoint the interfaces with the planning process.

Within a systematic planning process, social indicators will have to be used to incorporate both the current status data as well as the impact data. These would supplement the performance data generated by the operating agencies. The impact indicators would generate the need to undertake cost-effective studies, while the performance indicators would promote cost-efficiency efforts. The entire approach, therefore, is to introduce a performance-cum-programme budgeting system for urban development.

The second major use of the urban social indicators is in programme and project evaluation. Here the emphasis is on analysis of the results, rather than prediction of impacts. Evaluation deals with actual, rather than anticipated accomplishments. This type of evaluation is particularly required when urban development programmes or projects are externally financed.

Misuses

The potentiality of misuse of social indicators for blatantly political purposes needs to be recognised. Similarly, the hesitation or reluctance to make use of the social indicators by the politicians and administrators should be recognized as a defensive strategy. Consequently, there might be practical difficulties in generating relevant social indicators where such opposition is articulated. On the other hand, the technology of these indicators is by no means obvious and clear-cut. It is only through a process of continuing applications under a variety of situations that we would learn more about the elusive and somewhat esoteric tool, called, social indicators.

² American Society of Planning Officials (Planning Advisory Service), *Urban Indicators: Their Role in Planning*, by Darwin G. Stuart, Chicago, 1972, p. 12.

CONCLUSION

We have already indicated the nature of social indicators and their possible uses in the field of urban development. So far, social indicators have been used by national governments (USA and UK) to report on the state of the society and their uses for sub-national

and micro-planning purposes have yet to be initiated. Nevertheless, it is realized that in the field of urban development, the concept of social indicators has a positive contribution to make. Operationally, it would be useful to attempt this at the city level and use social indicators for rational planning and decision-making.

Goals for Urban Planning with Reference to Programme*

SEVERAL years ago when I was wrestling with the preparation of the Comprehensive Plan for Philadelphia in the United States I was first confronted with the question of goals. The question arose, not in the internal planning process, but when a graduate student, preparing his doctoral dissertation, placed a tape recorder before me and asked me to set forth our planning goals. I considered it a frivolous question. Our goals are self-evident I said: better transport, better housing, more useful open-space, more employment, lubrication of the difficult problems of the city's adjusting itself to changed circumstances, all these and more were what we were driving at—and these were self-evident.

Some time earlier, when a pilot plan, the antecedent of the comprehensive plan, was presented to a group of planners, Professor Charles Haar asked me who our client was. I was indignant. The public, I replied, was our client.

I have always been uneasy when confronted with the question of goals—much as most of us are uneasy when confronted with questions of basic principle.

Yet I could perceive the importance of goals in an operational situation. Prior to the Philadelphia exercise, I was associated with Dr. J. Douglas Carroll in the preparation of metropolitan highway plan for the Detroit

Metropolitan Area. This was a highly rigorous exercise in which for the first time the role of land use and of household size and household income were quantified in terms of traffic generation. With projection of land use, traffic requirements in volume, in direction and in trip length could be estimated. We never considered goals. The plan for an effective expressway system was our task.

Yet I realized some time later, and still dimly, that our masterly presentation could simply overwhelm the lay audience. How was the technocrat, armed with IBM printouts and isoline maps to be challenged? Only, I realized by being forced to verbalize his goals.

In 1961 the first goal oriented plan in the United States, the plan for the Washington National Capital Region was published. It was a disappointment, for the goals were so general that they did not really come to grips with the issues of the metropolis and its citizens. Let me quote them:

1. A broad range of choice among satisfying living environments.
2. A broad range of employment opportunities.
3. An ample range of opportunities for participation in the decisions that shape the development of the region.

*Paper presented in the Seminar on "Development Plans and Their Implementation", IIPA, May 3-4, 1975.

4. Efficiency in the use of the land.
5. Efficiency in the transportation of people and goods within the metropolitan area.
6. A healthful urban environment.
7. An environment which is visually satisfying, and which combines harmoniously the best contemporary expressions for those of a rich and valuable heritage.
8. A living environment which affords a clear sense of place in all sections of the metropolis.¹

Understanding the need for goals statements, I was still uncomfortable with the foregoing attempt. It was only when I came to see that goals to be meaningful, and translatable into programme, should be conceived and stated in terms of a particular clientele. Haar's question finally fell into place.

For years we made plans that were "in the public interest". But which public? Obviously there are several publics. Each one is a potential client. Only when we have identified a public, a client, can goals begin to approach specificity. And let me now shed the term goal, with which I am still uncomfortable, for the more modest word, 'objective'. For objective is both a more modest word and connotes the greater degree of specificity which I think is needed.

And let me transfer these lessons which I have been so slow to learn, to the Indian scene.

A primary requisite of planning is that it forces a look into current reality and future probability. Perceptions of the present and

visions of the future should be unclouded by illusion or delusion.

What is the current urban reality and, at least for the foreseeable future, the probability?

The current reality is that most urban citizens are poor. In my judgment the probability is that the poor will increase as a proportion of total population in urban areas. If the urban economic machine is capable of absorbing the in-migrants by providing job opportunities, then the future probability I foresee would be wrong. But there is little evidence to support such a more optimistic view.

If the poor represent half of the current urban population, then they constitute in sheer quantity a primary client:

We may then set down a series of objectives for this clientele:

1. We must increase urban job opportunities and help the poor avail themselves of such opportunities.
2. We must undertake to provide the poor with a minimum acceptable living environment.
3. We must provide a set of social services that are available to and tailored for the poor.
4. We must help the poor understand the power of their voice in the democratic process.

These objectives are still very general. But even at their level of generality they set planning and programming tasks that do not appear in most Indian urban plans.

¹ *A Policies Plan for the Year 2000, The Nation's Capital*, the National Capital Planning Commission, National Capital Regional Planning Council, 1961, p. 28. I have omitted the sub-paragraphs under each goal statement.

The first objective recognizes the primary role of employment. But employment is not something that is conjured up, nor something that happens if X acres are reserved for industry, nor something a local government can significantly influence. Planning and programming must proceed on several fronts simultaneously, *e.g.*,

- one of the criteria for industrial location decision at state and national levels must be the relative unemployment among different urban areas.
- new migrants and the untrained urbanites already in place must be made employable through training programmes.
- the programme must include an element of entrepreneurship, a potential for self employment.
- the informal sector must be better organized to deal and bargain with the formal sector, etc.

Plans and programmes for increasing employment must take first place on any priority list.

But the poor to a large degree live in bustees, or jhuggi johompris, or chawls. Even when employed (and unemployment is, according to one Calcutta survey, no higher among bustee dwellers than in the city as a whole) their living conditions are simply unacceptable. Therefore the second objective, providing a minimum living environment. Examples:

1. A continuous supply of potable water.
1. A system of sanitary latrines.
3. A drainage system.
4. Paved and lighted lanes.
5. A modest amount of open space.

This is not as simple as it sounds. Some hut slums were laid out many years ago for industrial workers, as in Calcutta and Ahmedabad, but because the poor had no voice in the city, public services were not provided. Yet the layout is often basically satisfactory. Laying of drainage, provision of water, paving of lanes can make a major difference in living conditions.

But where the hut slum is a recent squatter colony, as in Bombay and Poona, and parts of Ahmedabad, for example, the 'solution' is not so easy. Perhaps lanes of adequate width have to be carved out, and water and sewer lines laid therein. In other circumstances perhaps the slum dwellers have to be removed to a new location where sites and services are provided. But this is not easy either because most available vacant land is on the urban fringe from where transport costs to jobs are high.

The point of this is that the problems are varied and complicated. A simply conceived bustee improvement programme will not work everywhere. Given an objective, the means or method for achieving it must be specifically worked out for each category of slum.

The third objective I have noted is to make a set of social services available. But these have to be specified in terms of this particular clientele. For example;

- health services available through clinics easily accessible in the neighbourhood
- health services that emphasize health education and preventive medicine
- health services that help people to use the system, etc.

And the same can be said of education. Not just "free compulsory education for all children through age 14", but, more specifically:

- work related education
- education that is sensitive to family needs for children's time
- education that has external incentives, food and clothing, for example
- adult education that is built on substantive adult needs, literacy in a job potential context, for example, etc.

And under this third objective is encouragement of programmes generated and executed by the people themselves.

These kinds of specific objectives one does not see in urban plans in India. Probably the Basic Development Plan for Calcutta and CIDCO's plan for New Bombay come closest—at least they reflect a reasonably detached look at the current reality and future probability and their objectives (a term deliberately used by both agencies) approach specificity. But in neither case are the poor singled out as a clientele and in neither case are objectives therefore framed in terms of the needs of that clientele.

I hear a small voice saying that most of us are physical planners and only a small part of what I have been saying involves physical planning. To which small voice I reply.

First, urban planning requires the capacity to use all the strings on the sitar—economic, social, political, physical. In a given situa-

tion for a given clientele the mix will be different—the harmony to continue the figure of speech. It is the positive interaction of the several aspects of planning that is required. That is what integrated planning is all about.

Second, even if we do restrict ourselves to physical planning, I think we must recognize that most plans do not respond to the needs of the poor. In fact, in many cases the physical plans are biased against the poor.

For example, with the exception of the Plan for New Bombay, traffic and transportation plans and programmes give priority to the automobile. Public surface transit gets no priority, and pedestrians, rickshaws and handcarts are relegated to what street space remains. Sometimes we delude ourselves that we give first priority to public transit. But if that is the case, why do we not ban private automobiles in central Calcutta and Bombay in the peak hours? In the melee of the peak hours, whom do we ban? We ban the handcart and the rickshaw. Do we ever widen footpaths and reduce cartways? No, we widen cartways and reduce footpaths or green strips. It is true that an underground rapid transit is under construction in Calcutta now, but whom it serves we shall see later in this paper.

No, I think even our physical plans are made for a middle and upper class clientele, a clientele which, in my judgment, is decreasing and will continue to decrease as a proportion of urban population.

In terms of the poor, there is one further point. Even if they were not numerically dominant in the urban situation, they represent a clientele to whom public planning should respond for the following reasons.

Even in this socialist and planned economy, at the local level most conflicts are resolved in the market place. And in the market place the cards, by definition, are stacked in favour of the economically strong. When conflict cannot be resolved in the market place, or such a resolution is manifestly unfair, we resort to public intervention. Even then, political power more often than not, lies with the economically stronger segments of society.

The poor then, by several measures, represent our primary clientele. Objectives in their interest must be sufficiently specific, and plans and programmes devised to attain such objectives must be sufficiently specific, that we can evaluate them objectively. For the state of the municipal fisc and those that supplement it are so exiguous that we cannot afford to permit ineffective programmes to continue.

But the poor are not our only clients. If they were, employment possibilities aside, the identification of objective and the definition of programme would not be particularly difficult.

An important clientele are those (lower?) middle class who have reasonably secure employment but whose incomes are only a few notches above the poverty line. These people, in any economy anywhere, ought to be able to live a reasonably tolerable life. Do they? In a tight and inadequate housing market their housing choices are severely circumscribed. They scramble in an overcrowded education (non) system for places for their children. Their health services are disjointed. They have an insufficient water supply. They live with a generally unhygienic and inadequate drainage system. For many

the journey to work is harder work than work itself.

These are important clients. Without them the economic machine would not run. Yet we do not provide adequately for them.

In 1971, Messrs. Kingsley and Kristof, using materials and ideas generated over the years in CMPO, put together a housing programme for metropolitan Calcutta. What did they say?

Among several characteristics of the metropolitan housing market they noted:

*"At current incomes only a very small minority of CMD households can afford the economic rent for new pucca housing as offered in today's market. It is estimated that the lowest 46 per cent of all CMD multi-member households can afford to pay no more than Rs. 30 per month for housing and the next 33 per cent can afford no more than Rs. 75. Only the top 7½ per cent can afford a monthly housing payment of more than Rs. 150. Yet the economic rent of almost all new pucca housing produced recently is greater than Rs. 159."*²

Why is that? What kind of economy is it that does not provide a continuously employed worker with sufficient wherewithal to pay for decent housing?

The answer to such a question is long and involved—shared or redundant employment—the large labour force compared to the smaller number of jobs—the institutional structure of an economy inherited from a colonial era—etc.

These are fundamental questions of economics which I am not qualified to answer.

² G. Thomas Kingsley and Frank S. Kristof, *A Housing Policy for Metropolitan Calcutta*, March 1971. (Mimeo), pp. 1-2.

Yet I think they are the fundamental questions in urban development. For urban development is neither an end itself nor an evil to be avoided. Urban development is one of the means of national development. One important way of looking at cities is to define their role(s) on the national development trajectory. But that is the subject of a separate paper.

In this paper let us simply note that a large proportion of our reasonably secured employed people live in highly constrained and largely unacceptable circumstances. Our concern at their level of existence is not simply humanitarian and empathetic. We are also concerned that these members of society who make the economic machine run should live in circumstances that enhance, rather than depress, their capacity for productivity:

Let us therefore suggest the following objectives for this important clientele:

1. An adequate stock of modest but acceptable housing.
2. An acceptable journey to work.
3. An assured supply of potable water.
4. Adequate sanitary drainage and waste disposal.
5. Education for children through the secondary level.
6. Preventive as well as curative medical and dental care.
7. Opportunity for cultural satisfaction and advancement.
8. Opportunity for sports and recreation.
9. Mobility—socially and spatially.

These are unexceptionable objectives. It is putting them in programmatic terms that is difficult.

One such attempt is the Housing Programme proposed for Metropolitan Calcutta by Kingsley and Kristof. They note:

The Calcutta Metropolitan Development Authority should take the lead in establishing a Large-Scale Housing Production Programme during the Fourth Plan period. The major emphasis in this programme should be on the provision of hire-purchase housing on a low-subsidy basis for middle and lower middle income groups.

It was observed that there exists a potential effective demand for new housing that currently is not being met. The low level of housing output in the past decade relative to the existence of a reasonable ability to pay for housing among many families indicates that some relatively minor adjustments could achieve large changes in new production. That is, if government can overcome some of the supply barriers noted earlier and thereby reduce the monthly payment required of the consumer, large numbers of families can be housed with only a modest infusion of public resources. A key incentive for this approach is the provision of an opportunity for families to purchase their own home.

The desire for home ownership is great among CMD families, many of whom pay less than they could afford for rental accommodations. The techniques required include:

- (a) Institute cost savings in housing production by several means: Reduce space standards in relation to those now typical for pucca construction in the CMD. Use more economic forms of housing (such as the row house) and simplify unit plans. Maximize the use of plentifully available local construction materials in combination with

modern methods of industrialized house production. Take advantage of economies of scale possible through large-scale production.

- (b) Take advantage of economies of scale in land development as well. Also use densities averaging 60 units per net acre for new residential areas—higher than the densities proposed under many current government schemes, but still capable of providing a quite suitable living environment. Utilize more efficient site planning to reduce the amount of non-saleable land in new developments.
- (c) Ensure a flow of mortgage funds from the Life Insurance Corporation and the Central Housing and Urban Development Corporation at much more reasonable terms than are available in the current market, as is consistent with the intentions behind CMD Fourth Plan allocations.
- (d) In high cost locations only, provide a small subsidy to reduce the interest rate from 8 per cent for LIC loans or the $7\frac{1}{2}$ per cent for Central guaranteed State loans down to $5\frac{3}{4}$ per cent.
- (e) Again, in high land cost locations only, cut the price of publicly developed housing sites, not by outright subsidy, but by a long-term deferred interest loan.
- (f) Use aggressive marketing efforts to disseminate information about the availability of mortgage loans to eligible families, build model houses in new areas, and generally increase publicity about the programme.

The major purpose behind the hire-purchase programme is not simply to provide more satisfactorily for middle income groups. It also is the most efficient way (in terms of resource use) to significantly increase the quantity of housing production *per se*. As middle and lower middle income families move into a new home provided by this programme they will leave behind vacant housing units which can then be filled by other families, probably of lower incomes. The vacancies created by the moves of these families are in turn filled by yet other families. By this process, through a chain of turnover, many families including the poor are given the opportunity to improve their housing conditions.”³

Another is the excellent statement in the Plan for New Bombay:

“It is further desired that every family living in New Bombay shall have a dwelling of its own, however small, and if pucca construction is not possible, then made of temporary materials. Apart from ensuring that each family shall have access to a round-the-clock potable water supply, good sanitary facilities, availability of power and access to the city school system as well as to common recreational facilities in the area, an important consideration is that each family shall have sufficient security of tenure on its plot of land and, if it cannot afford a pucca dwelling, to encourage it to improve its temporary dwelling to a more and more permanent type of construction.”⁴

Just as housing has proved to be an intractable problem in all developing countries, so too, to a lesser degree, has transport. But whereas a house is a house or a flat, difficult

³ Kingsley and Kristof, *op. cit.*, p. 1-4.

⁴ *New Bombay, Draft Development Plan*, City and Industrial Development Corporation of Maharashtra, October 1973, p. 18.

indeed to finance, the object is clear—a house. But in transport, transport is a suburban railway, an intra-urban rapid transit, a tramway, a bus, a taxi, an automobile, a rickshaw, a road, etc. In transport let me quote again from the Calcutta and New Bombay Plans;

Calcutta — “The transportation system is one of the chief instruments available to Government for arresting the deterioration that now threatens the CMD and for guiding growth in the directions desired. Railways, major highways, mass transit facilities, river transport and air transport are major determinants of industrial and residential development. It is essential that vigorous action be taken to create a modern transport system that will provide rapid, safe and economic movement within the metropolis and connect it effectively with its immediate hinterland and the rest of the nation. The advantages of each mode of movement—rail, road, mass transit, river transport and air transport—should be utilised and the modes efficiently integrated.”⁵

New Bombay — “The transportation system is crucial in determining the life style of people. Jobs and residence are to be located in close proximity so that commuting time could be saved and used for creative purposes. The mass rapid transit system and the area developments are being so designed that walking distances to the transit system do not exceed one kilometre for most users and bus stops are conveniently located.”⁶

The difficulty with the Calcutta statement is that it does not identify the several clients for the several modes. But, you may say, that is self-evident. But is it? The Calcutta Rapid Transit System will carry, it is estimated, 1.5 million person trips daily by 1983. Yet those approximately 800,000 people will be paying over a rupee for their rapid transit travel. For many of them there will be the additional costs of bus or tram to the rapid transit station.

At the initially estimated cost of Rs. 140 crores, it was determined that “— a 32 paise per passenger will cover all costs including debt service charges in a purely financial sense.”⁷ At a 30 paise level the subsidy required will be Rs. 1 crore annually.⁸ These are not unreasonable figures. But the capital cost estimate has now risen to Rs. 250 crores. On a strictly proportionate raise, the cost per trip would rise to 52 paise. But this is probably low because replacement costs will also rise, and probably maintenance costs as well. Thus my earlier figure of over 1 rupee per person for a two-way trip. Is this reasonable?

The tram and state bus fares average about 13 paise, which means a deficit of 10 paise for buses.⁹ If, for illustration, the buses were put on a self-sustaining fare of 23 paise, and if, say, one half of the rapid transit riders had to take a bus to the rapid transit stop, the cost per trip would be 75 paise, or for the daily journey to and from work, Rs. 1.50. If such a person works 20 days a month, then his monthly transport cost would be Rs. 30. At

⁵ *Basic Development Plan, Calcutta Metropolitan District 1966-1980*, Calcutta Metropolitan Planning Organization, December 25, 1966, p. 111.

⁶ *New Bombay Draft Development Plan*, op. cit., p. 18.

⁷ *Calcutta Mass Transit Study, 1970-71 (Dum Dum to Tollygunj)*, by Metropolitan Transit Project (Railways), Calcutta, p. 349.

⁸ *Ibid.* p. 348.

⁹ *Ibid.*, p. 343.

this price who benefits? Or to use our earlier terminology, who are our clients? I suspect that even those clients who are securely employed but at lower wage levels would either be priced out of the rapid transit market or would have to sacrifice something else in their monthly budget.

Let me turn the question into other terms. For each client group there is a set of objectives. Although they are mutually supporting conceptually, they are competitors for scarce capital and operating funds. And this is further complicated by the competition between different client groups. I suggest that there are three levels of this objective-client-programme relationship.

One is the sub-objective within a major objective. An example is investment in rapid transit versus investment in buses and related street improvements. What are the relative costs? What are the benefits? To whom do the benefits accrue? Since benefits accrue to many, how are they distributed?

A second level is intersectorally within a client group. The housing-cum-development programme proposed by Kingsley and Kristof for Calcutta amounted to Rs. 28.46 crores for the Fourth Plan period to produce 38,500 dwelling units. Of this Rs. 5.86 crores would be subsidy and Rs. 22.60 crores would be loan.¹⁰ For the Fifth Plan let us assume for the sake of illustration, and equal amount, or the production and sale of 77,000 units for Rs. 56.92 crores, say Rs. 60 crores, over the period 1972 to 1980. Would the lower middle and middle income population of Calcutta accept a lower cost rapid transit system, or even simply an improved bus system if 77,000 housing units could be produced?

A third level is intersectorally across client groups. Approximately Rs. 15 crores has been spent on the Bustee Improvement Programme, touching the lives of perhaps 1,000,000 people. But the allocation for this year is only about Rs. 1.5 crores. I would assert that the 2.5 million bustee dwellers would prefer an accelerated programme of bustee improvement, investment in health and education, and in employment assistance to an investment in a rapid transit system as few of them could afford to ride.

There are other client groups, of course. There is the upper middle income group and there are the wealthy. And there is the economic machine and its several constituent parts, ranging from large scale industry through middle and small scale to the informal sector.

One of the aspects of Indian planning with which I am most uncomfortable is its restrictive land use control. This should be exercised selectively, not across the board. It should be exercised selectively in geographic terms (on major streets, at major interchanges, in historic areas, for example) and it should be exercised selectively in social client group terms. An example of the latter is the high rise apartments being built in both Bombay and Calcutta. In Calcutta, which I know better, there should be requirements for setbacks, for automobile parking, even perhaps there should be annual quotas for such building in order to reduce the radically increased pressures on public facilities such as streets, water supply, drainage and power.

But for the most part the upper middle and higher income groups can take care of themselves. They are not clients in the sense I have used the term earlier in this paper. They are, by

¹⁰ *A Housing Policy for Metropolitan Calcutta*, op. cit., Table 20.

virtue of their power in a market place economy, strong. Restrictions should be placed on them in their own interest, in the interests of the larger and poorer community and in the interests of the future community.

The economic machine is a different kind of client. Taken together (that is, excluding its separate parts for conservation of time and space) it has overarching metropolitan system needs. Objectives can be stated clearly and quantified for support of this client group. And programmes related to such objectives can be devised. Primary among them is power. A close second is transport and communications. These needs will conflict with needs of the poorer human community both in terms of investment and in terms of displacement.

One of the purposes therefore of setting forth objectives clearly in client group terms and of devising programmes in such terms is to identify where conflict will occur. For urban planning involves centrally the resolution of conflicts between client groups. And the first step in resolution of conflict is a clear statement of the objectives of each party to the conflict. Where conflict is not apparent in statements of objective, it will become clearer when objective is translated into programme terms. And if conflict is not apparent at that stage it will become explicitly clear when resources are allocated in a system where there are simply not enough resources to finance all programmes.

Such conflicts and competitions for resources are commonly resolved, for better or for worse, in the political process. A primary responsibility of the planner is to place these issues before the politician in as clear and unvarnished terms as possible.

The problems are enormously complex. We should not delude ourselves that they are

susceptible to easy resolution. One of the purposes of stating objectives as specifically as possible is to provide us with reference points in this complex decision-making situation.

It should be noted of course that all issues of urban development do not array themselves in a competitive and confrontative manner. Everybody gains from a park—unless it displaces the poor—or takes a golf club from the rich—or withdraws land from the housing market. Everybody gains from new and productive employment—unless it pollutes the atmosphere—or requires new services of power, water and transport. Well, most issues do then involve making choices in which some group gains and some group loses—and the elements involved are intricate and complex.

Let me try to pull these disparate threads together in some useful summary form—a set of propositions:

1. Goals are useful primarily when stated in the specific terms of an objective.
2. An objective must relate to the needs of a particular client group.
3. An objective to be useful must be translated into a time-space-cost programme.
4. Programmes can then be tested and evaluated for their effectiveness in meeting the stated objectives of a defined client group. But urban plans do not consist of an accumulation of programmes for various client groups because both funds and urban space are limited.

Therefore:

5. Objectives for a client group are frequently in conflict with objectives for another client group.

6. Objectives therefore clarify the areas of conflict.
7. Objectives also may be in conflict intersectorally *within* a client group.
8. Objectives may be in conflict intersectorally *between* client groups.
9. Such conflicts become more apparent when objective is translated into programme.
10. Such conflicts become most apparent when programme is translated into cost.
11. The urban planner should be clear as to the client group for whom he is defining objectives and framing programmes.
12. Currently and in the foreseeable future, the planner's primary client is the poor.
13. In framing programmes for the poor the planner must utilize economic, social and physical means in mixtures specific to each social and geographic case.
14. Close to this group, the planner must devise objectives and programmes for the securely employed who are inadequately served by public services and facilities.
15. The planner must devise objectives and programmes to advance and lubricate the urban economic machine.
16. Because objectives and programmes for these several client groups are inevitably destined to conflict, either spatially or in competition for scarce public funds, the planner is obligated to state his client, his objective and his programme in as clear terms as possible for more inclusive, informed and rational debate in the political process.

Urban Social Indicators—Concept and Approach

THE construction of urban social indicators, testing their validity, relevance, necessity, efficiency and sufficiency in the intra-urban and inter-urban contexts opens up a distinctly important area of discussion which involves various theoretical, methodological and technical issues in its specific sphere of knowledge. In this note, an attempt has been made to set out the concept and approach to the problem of deriving a set of urban social indicators in the Indian context. It may be noted at the outset that the absence of a general model of urban societies to serve as a guide to what conditions should be measured and how the information might be structured is really the major impediment to this problem. The paper specifically points out how to overcome this methodological issue.

An indicator is constructed not merely to describe a situation or explain it, but also to diagnose the probable alterations in the situation from the past to the present and then to the immediate future. The necessity of indicators thus primarily arises when we wish to diagnose a situation and predict its immediate future on a probability basis.

An urban social indicator refers to the dynamics of an urban society, as it refers to the question "what will it be?" This would mean that social indicators are to be formulated in terms of urban social development and urban social change. In this context, it is necessary for us to note the distinction between 'change' and 'development'. In the concept of change,

we are dealing with a value-free situation; for, the alternative to change is only 'no change'. On the other hand, the alternative to 'development' is not only 'no development', but also 'retrogression'. That is, an indicator of development may indicate 'more' or 'less' development or 'more' or 'less' retrogression. It follows from this statement that the indicators of urban social change would be unidimensional; whereas the indicators of urban social development are bi-dimensional, owing to their value load.

Dealing with a concept of urban social development, with its differential value load, creates operational problems in deriving a common set of indicators for urban areas, as these values will change from one urban society to another and also from one time period to another. From the operational angle, it is necessary in the first instance to systematise the value loads and the concept of urban social development before thinking of appropriate indicators. This would involve assuming a set of values as the first approximation of a uniformly applicable load to all urban societies so as to arrive at a common desideratum for all concepts of urban social development.

The conceptual problem, therefore, is how to make the value loaded concept of developments into a relatively value-free concept and thus systematise its operational content. The task is not simple. Perhaps one may think of two alternatives. First, we can forget

(for the time being at least) the concept of urban social development and deal exclusively with the value free concept of social change, in the manner that anthropologists (particularly in the early decades of this century) had developed their methodology to study the dynamic changes in society at a particular point of time. It may be noted in this context that Boas, as early as 1940 had drawn the distinction between social change and social development.* But this method is not very satisfactory for rapidly changing urban communities, as it does not take into account the dynamic context of urban development.

In the second alternative, which is advocated in this paper, we should envisage the particular manner of urban social development that should be aimed at over a foreseeable length of time and thus forcefully free the concept of social development from its differential value load, at least over that time span. This would be in conformity with the thinking of the planner, who would like to pursue one particular manner of urban social development as the 'goal'. In this method, we consider urban social development as a *characterological concept*, which according to the current trends in descriptive and explanatory research, may be transformed into a normative concept by referring to one or more goals, as the case may be; then the developmental indicators may be formulated accordingly. In this case, the definition of the goal is important. Such a goal may be found in the national urban policy, if one such policy as such, although one is in the offing. So far as our urban master plans are concerned, the plans prepared by physical planners do not spell out the social goals of development precisely, with the result we are unable to take any cue from these documents. In the absence of guidance from either the national urban policy or from City

Master Plans, we have to resort to a process of transforming an abstract social model of a city into a more specific concept, defining such a concept operationally, and then taking measurements on the appropriate conditions.

In the case of an American city, Prof. David Smith, an American Social Scientist who has done considerable work on social indicators, has provided a grand abstraction as to what a satisfactory 'social well-being' could be for a city in the American context. His abstraction is as follows:

"In a society where there is satisfactory social well-being, people will have incomes adequate for their basic needs of food, clothing, shelter and a reasonable standard of living; people will not live in poverty. The status and dignity of the individual will be respected; and he will be socially and economically mobile. Good quality education and health services will be available to all and their use will be reflected in a high level of physical and mental health and in an informed populace being able to perform their societal roles in a satisfactory manner. People will live in decent houses, in decent neighbourhoods, and will enjoy a good quality of physical environment. They will have access to recreational facilities, including culture and the arts, and adequate leisure time in which to enjoy these things. Society will show a low degree of disorganization, with a few personal and social pathologies, little deviant behaviour, low crime incidence, and a high public order and safety. The family will be a stable institution, with few broken homes. Individual will be able to participate in social, economic and political life and will not be alienated on the basis of race, religion, ethnic origin, or any other cause."

For an Indian city, the above abstraction

*Franz Boas, *Race, Language and Culture*, New York, Macmillan, 1940

may be considered as too far-fetched. Taking a realistic view of our cities, that could be realised in a reasonable period of the next 10 or 15 years. These goals may stress on the following aspects:

1. Provision of basic minimum needs to the urban population including those for the urban poor. What these basic minimum needs could be is a matter requiring further detailed consideration.
2. Keeping the informal sector of the cities' population within manageable limits, including providing them with shelter, and some basic minimum amenities and services.
3. Adopting an appropriate technology for major urban activities touching on the living environment like housing, cleanliness of the neighbourhood and economic activities like industry and transport, and keeping the hazards arising from pollution under check.

If the above goals could be taken as the broad criteria of social well-being for our cities at our present level of development, then we could spell out the following broad heads under which we may search for appropriate urban social indicators. These broad heads could be as follows:

A. *Income, Wealth and Employment*

- (i) Income and wealth
- (ii) Employment status
- (iii) Income supplements

B. *The Living Environment*

- (i) Housing
- (ii) The neighbourhood
- (iii) The physical environment

C. *Health*

- (i) Physical health
- (ii) Mental wealth

D. *Education*

- (i) Achievement
- (ii) Duration and quality

E. *Social Order (or disorganisation)*

- (i) Personal pathologies
- (ii) Family breakdown
- (iii) Crime and delinquency
- (iv) Public order and safety

F. *Social Belonging, Democratic Participation*

G. *Recreation and Leisure*

- (i) Recreation facilities
- (ii) Culture and the arts
- (iii) Leisure available

While deriving urban social indicators, it may be also necessary to treat the metropolitan cities differently from the small and medium size towns. This is because their problems are different and accordingly the goals of urban development should also place differential emphasis on those aspects of development peculiar to their context.

Lastly, it may be noted that the perception of the quality of the urban environment constitutes an important element, while formulating urban social indicators. The latest literature on this subject refer to various terms in this context whose exact connotation as well as their measurement and operational significance

are still not quite clear. Some of these terms are: 'happiness', 'quality of life', 'social well-being', 'social satisfaction' etc. They may all be placed in a continuum of abstractions and have to be sharpened as regards their content, so that appropriate social indicators could be formulated on that basis. Further, it should be noted that all these abstract concepts are also relative in nature and will vary in their content depending on the level of development of the particular society we are considering.

Socio-Economic Indicators for Development Planning*

THE term "indicator" has been very much in use in statistical literature but has not apparently been defined in a precise manner. The standard dictionaries do not usually go beyond describing an indicator as one that indicates, shows or points out. The term has, obviously, a wider connotation than the "index number", which has been defined as a quantity which shows by its variations the changes over time or space of a magnitude which is not susceptible of direct measurement in itself or direct observation in practice¹. While the index number generally conforms to a set form (or to certain alternative forms), the indicator has apparently no such formulation, although it too often measures indirectly magnitudes which are not of direct susceptible measurement or observation, and usually reflects more than what it represents.

Statistical publications have for long presented series of economic indicators in figures and charts, and have of late taken a new found interest in social indicators. References are often made to socio-economic indicators and sometimes, series are merely

described as statistical indicators. The use of indicators for the measurement of levels of living was suggested sometime ago by a United Nations Committee of Experts in its *Report on International Definition and Measurement of Standards and Levels of Living*.² The Committee distinguished between standard of living and level of living, the latter representing the actual conditions of life, as distinct from the former representing aspirations or ideas of what ought to be. It attempted to describe the level of living in terms of a series of "components" representing accepted values and recommended measurement of the various components in terms of a series of "indicators".

The Committee discussed the nature and types of indicators, of which some are macro-indicators, while some others are micro-indicators, some are more direct indicators of actual conditions, while some others are less direct indicators of services or facilities, some are of personal reference, while some others are of collective reference, and most measure what exists while a few express tendencies. The indicators are, without

*This paper was originally submitted in a national seminar on social statistics during March 17-22, 1975. It is an abridged version of a paper entitled "Socio-Economic Indicators for Development Planning" prepared by the author for the UNESCO Working Group on the Applicability of Socio-economic Indicators to Development Planning held at Bangkok in September, 1974. The original paper appears in the *International Social Science Journal*, Vol. 27, No. 1, 1975. The views expressed are entirely personal and not of the Government of India or of UNESCO.

¹ M. G. Kendall and W. R. Buckland: *A Dictionary of Statistical Terms*, published for the International Statistical Institute by Oliver and Boyd, 1957.

² United Nations: E/CN.3/179, E/CN.5/299 of March 1954, Sales no. 1954. IV.5. The Committee was co-sponsored by the United Nations and some of the specialised agencies.

exception, in the form of averages, proportions, rates, indexes or certain more synthetic functions of basic data. Based on the Committee's report and a series of further discussions which took place at the international level under the auspices of the specialised agencies, as well as at inter-agency meetings, an Interim Guide entitled *International Definition and Measurement of Levels of Living* was issued by the United Nations.³

The indicators of levels of living, thus formulated, attracted considerable attention from the social planners as these indicators were in many cases the same as those used in formulating the aims of social programmes and in evaluating social progress at the national level. The United Nations Research Institute for Social Development did further work in studying the inter-relationships between the various indicators, examining the relevance and appropriateness of the various indicators for the measurement of socio-economic development and evolving a set of core indicators for the purpose.⁴

Spurred by the general interest in social statistics and social indicators, the Statistical Office of the United Nations has been working over the last few years on the development of an integrated system of social statistics. In a tentative elaboration on the draft system, a document entitled "A System of Demographic, Manpower and Social Statistics: Series, Classifications and Social Indicators"⁵ proposed a series of indicators in respect of each of a number of sub-systems. The general considerations presented in this

connection distinguish at the outset between primary and derived series, the former being described as basic data collected from censuses, sample surveys and administrative records. Derived series are those calculated from the primary data and are usually in the form of averages, percentages, ratios, expected life times, etc. "Social indicators", it is stated, "are generally derived summary series designed to portray the state, and trends in, social conditions that are, or are likely to become, the subject of public action or concern". They should "yield information on the extent to which existing conditions correspond to generally accepted social goals and the pace at which these objectives are being rendered". They should therefore "focus on (i) the main facts of the well-being of the population, (ii) the performance, that is effectiveness and efficiency, of the social services, and (iii) the distribution of well-being, and of the use of and benefits from the social services, over the population". They detect social conditions which need correction, in setting targets for this purpose and in ascertaining the general achievements of social programmes and policies.

Commenting on the document, the Working Group on Social Statistics⁶ convened by the United Nations Economic Commission for Asia and the Far East, however, observed that "the distinction between items of data which were supposed to be primary data and 'social indicators' which were supposed to be derived summary series, often tended to be slight, and in several instances 'item of data' included derived figures such as averages,

³ United Nations, E/CN 3/270/Reb. 1, E/CN 5/353 of 1961, Sales no. 61. iv. 7, No final guide has yet been issued.

⁴ See for instance, *Contents and Measurement of Socio-Economic Development*, UNRISD Report No. 70.10, Geneva, 1970.

⁵ UN Statistical Office, ST/STAT./49, April, 1971.

⁶ ECAFE, *Report of the Working Group on Social Statistics* (Sep.-Oct. 1971) E/CN 11/L. 314.

ratios and even index numbers, while 'social indicators' included complicated multivariate distributions, as opposed to the common understanding of the term 'indicator' as a single summary figure".

At the seventeenth session of the Statistical Commission which discussed the proposed System of Demographic, Manpower and Social Statistics, a number of members felt that the concept of *indicators proposed in the System was too broad* and that "social indicators should be thought of as series related to specific policy goals and social concerns. These goals and concerns should first be defined and the series derived from them rather than from the elements of the System". Other members of the Commission, however, believed that "in view of the diversity in social problems and concerns among countries, it was not desirable to narrow the concept of social indicators in this sense and the statistics were needed to detect and identify social problems and build simulation models." It was suggested that, in order to avoid confusion, it would be desirable to find a new term to describe the summary series of the System.⁷

A paper on "Economic and Social Indicators"⁸ presented earlier by the UN Statistical Office to the Joint Meeting of Planners and Statisticians organised by the Economic Commission for Asia and the Far East sought to widen the concept of indicators as "summary series of data in respect of stocks and flows which are designed to measure the aspects of the economic and social conditions

that are important for analysis and policy decisions. Many of the indicators are simple series that are expressed in absolute terms, percentages, averages or ratios. Others are more complex or synthetic measures of an analytical character". The indicators relating to stocks are primary series or percentage distributions. The indicators relating to flows, however, are mostly in the nature of ratios, averages or any synthetic measures, but also include a few primary series. Commenting on the paper, the Meeting observed⁹ that "the term 'indicator' was commonly used in statistical circles with reference to derived figures such as averages, ratios, proportions, index numbers and other synthetic functions. The use of primary statistical series and their distributions by one or more characteristics, as proposed in the list of economic and social indicators, would inevitably eliminate the line of distinction between indicators and basic statistics. Moreover, economic and social indicators must be of current significance, should indicate current trends and be useable for current analysis, assessment of progress and determination of policies." The Meeting further suggested that "if a list of economic and social indicators were to be evolved for current use, it should better be a comparatively brief and precisely defined series of key indicators of current significance, designed to measure the effects of policies, plans and programmes of economic and social development".

In a recent document on the proposed system of social statistics entitled "Towards a System of Social and Demographic

⁷ United Nations Statistical Commission, *Report of the Seventeenth Session*, E/52361, E/CN. 3/440 (November, 1972).

⁸ ECAFE Joint Meeting of Planners and Statisticians, *Economic and Social Indicators*, ASTAT/JMPS/14 (August, 1972).

⁹ ECAFE, *Report of the Joint Meeting of Planners and Statisticians*, E/CN. 11/L. 341 (November, 1972).

Statistics",¹⁰ which is described as a preliminary version of a comprehensive technical report to be published soon, a new approach has been adopted in describing social indicators. Without attempting a precise definition of the term, social indicators have been described as "constructs, based on observations and usually quantitative, which tell us something about an aspect of social life in which we are interested or about changes that are taking place in it. Such information may be objective in the sense that it purports to show what the position is or how it is changing; or it may be subjective in the sense that it purports to show how the objective position or changes in it are regarded by the community in general or by different constituent groups". Summing up the criteria for defining social indicators, the paper adds: "Social indicators relate to some area of social concern and they may serve the purposes of curiosity, understanding or action. They may take the form of simple data series or they may be synthetic series obtained by applying a greater or lesser amount of processing to data series. At any particular time, it may not be possible to construct all the indicators that would be desirable and this limitation should be kept in mind. Social indicators form a subset of the data series and constructs actually or potentially available and are thus distinguished from other statistics only by their suitability and relevance for one of the purposes mentioned".

The recent history of the development of economic and social or socio-economic indicators at the international level has thus been one of shifting positions and varying definitions. No firm guidelines have yet emerged

in regard to the concept, scope and nature of indicators to be developed to meet the needs of planning, policy formulation and evaluation of progress. At the regional level, however, the Conference of Asian Statisticians has recently approved a tentative set of "Indicators of Social Development". The indicators, formulated in pursuance of a recommendation of the ECAFE Working Group on Social Statistics (1971) was, discussed at two inter-agency meetings at the regional level, two sessions of the Conference of Asian Statisticians (eleventh and twelfth) and the Second ECAFE Conference of Social Development. The summary of the proceedings of the (second) Inter-Agency Meeting, presented to the twelfth session of the Conference of Asian Statisticians, emphasised¹¹ that "while a general system of social statistics might involve a wide variety of social indicators, the proposed indicators of social development should be development-oriented and related to major goals of social development. Such goals might sometimes involve structural changes, in which case structural indicators would be relevant. If the goals involved changes in certain flows, flow indicators would be necessary. In the case of social services, progress could be measured in terms of the benefits derived or, better still, the impact of the service on the population benefited. If data on the benefits derived were not available, the progress might be measured in terms of output indicators. If even the data on the outputs were not available, input indicators might be used."

What are socio-economic indicators? While the above discussion refers generally to economic and/or social indicators, the concept

¹⁰ United Nations, ST/STAT. 63 dated 24 July 1973—document prepared by Prof. Richard Stone as Consultant to the United Nations. Now Published (ST/ESA/STAT/SER. F/18, New York, 1975).

¹¹ ECAFE Conference of Asian Statisticians (twelfth session), *Indicators of Social Development*, E/CN.11/ASTAT/Conf. 12/L. 11 (August, 1973).

socio-economic indicators remains somewhat vague. Literally, "socio-economic" means: pertaining to social economics having a character or aspect of both social and economic, or involving both social and economic factors. Socio-economic indicators may thus be construed as border-line cases between social and economic indicators, indicators which can be regarded as both social and economic. Rigidly interpreted, the scope of such indicators can indeed be narrowed down to aspects such as employment and unemployment, wages and working conditions, household incomes and expenditures, savings and indebtedness, distribution of wealth, consumer prices, etc. However, since social phenomena have economic implications, insofar as social and economic aspects of development are intertwined, all social statistics, leaving aside purely economic statistics dealing with the production, supply and disposition of goods and services, financial transactions and government, are sometimes referred to as socio-economic.¹² These include statistics concerning the population, the economically active, education and educational services, health and health services, leisure-time and cultural services, housing and physical environment, household income and expenditure, social security and welfare services, public order and safety, etc. It is in this broader sense that the term socio-economic will be used hereafter in this paper.

SELECTION OF INDICATORS

Socio-economic indicators have two main purposes to serve in development planning: firstly, they help to crystallise the goals of development planning in terms of targets; secondly, they help to measure the progress

made towards the goals in relation to the target set. To a limited extent, they also serve as critical variables in building development models. By and large, however, it is the two main purposes that determine the scope of the indicators, it being understood that the critical indicators to be included in the development models would be selected from among the wider set.

Socio-economic indicators may also serve a variety of other purposes such as analysis of the social situation, formulation of social policies and management of social services. Possible uses can perhaps be found for any socio-economic indicator that can be thought of. However, in determining a set of indicators for use in development planning, only those capable of such use and closely related to the goals of development actually envisaged in planning need perhaps be considered. The indicators should be such that changes in the indicators over time reflect the effects of development planning direct or indirect.

The scope of the indicators is to be determined in terms of the scope of development planning. It may be futile to pick up indicators of social aspects which are not subject to the planning process. Thus, indicators of social changes that may be considered desirable but not actively promoted through development planning, such as inter-communal or inter-caste relations, need not perhaps be considered.

Socio-economic indicators may be broadly categorised as: (a) those concerning individual members of the society or groups of members such as households; and (b) those

¹² See ECAFE—E/CN.11/ASTAT/Conf. 12/L.15 'Statistical Programmes for the Use of Developing Countries in Economic and Social Development'—prepared by the Statistical Office of United Nations (October, 1973).

concerning social services, *i.e.*, institutions providing services to the society. In the case of individuals and households, they may indicate the numbers, their characteristics, activities and attainments and conditions of life and living. In the case of social services, they may indicate the volume and value of the services, the inputs and outputs, the benefits derived by the population and the impact of the services on the population benefited. A complete system of indicators would include all types of indicators, but if a selection is to be made, one has to select the key indicators, most effectively reflecting the goals of development and the progress towards the goals. In particular, in selecting indicators concerning social services, preference should be given to those depicting the impact of the service on the population benefited, and if no such indicator is available, one depicting the benefits derived should be preferred. If even that is not available, indicators of outputs or inputs may be selected in that order of preference. In general, input and output indicators are more useful for purposes of management, but if improvement in the efficiency of the service is itself one of the goals of development, an indicator relating inputs and outputs may be useful.

Indicators should generally be in the form of derived summary figures such as averages, rates, ratios, proportions, index numbers and other synthetic functions, which reflect the relationship of the phenomenon measured to the setting or background in which it takes place. One must draw a line of distinction between basic measures and indicators. A basic measure by itself does not indicate much. For instance, the population count of a country at a given point of time does not indicate much to one who is not acquainted with other related facts. If it is to indicate the density of the population of the given country,

it must be related to the area. If it is to indicate the growth of the population, it must be related to a similar measure for preceding date. If it is to indicate the size of the country in relations to other countries, it is to be related to similar measures of other countries. On the other hand, a derived figure such as the density of the population, the population growth rate, or the rank of the country in terms of the population among the countries of the world or of a continent, indicates something. The use of a basic measure as an indicator is meaningful only when it is presented as a part of a time series, or of a series of comparable or related figure, in which case, it is tantamount to leaving the relationship to be derived by the reader, without being explicitly indicated.

There cannot obviously be any rigid formulation in regard to the desirable number of indicators. The planners usually prefer a short list of indicators capable of sharply presenting a summary view of socio-economic development. Too many indicators which cannot be combined into an overall indicator or a set of sectoral indicators fail to present a summary view. At the same time, too few would gloss over important trends, which need to be noted. As a compromise, it would appear best to pick up one key indicator to reflect the progress towards each major goal with one or two supplementary indicators to reflect related trends or important components of the major goals. In what follows an attempt will be made to select a set of indicators suitable for purposes of development planning keeping in view the above-mentioned principles.

Population

With the unprecedented growth of population, which has been nullifying in part the

gains of economic development, population planning has become a crucial element in planning for economic and social development in Asia. Controlling the growth rate of population is one of the major objectives of most countries of this region and targets are set for the achievement of this objective through a faster reduction of birth rates than the anticipated reduction of death rates, arising from the planned improvement of health conditions. The population indicators most useful in this context are the population growth rate, the birth rate and the death rate. In addition, the general fertility rate may be taken as an indicator of the impact of family planning programmes, in preference to the operational indicators, such as the percentage of couples protected, which suffer from limitations of reliability. Crude rates may be permitted for reasons of ready availability and ease in computation, but standardized rates may be preferred wherever feasible.

There are a number of other demographic indicators such as the sex ratio, dependency ratio, gross and net reproduction rates, etc., which are useful for demographic analysis, but not directly related to population planning. Certain other indicators, such as the expectation of life at birth and at various ages, infant mortality rate, proportional mortality ratio and proportion of still births, are often treated as indicators of health rather than as mere demographic indicators and may be considered under that head.

In population planning, one is also concerned with migration, both external and internal. So far as external migration is concerned, it is not a significant feature in countries such as India. In countries where external migration is a significant factor, it may be desirable to include the net migration rate

as an additional indicator. In regard to internal migration, the most important indicator is the net rural-urban migration rate. Statistics on this aspect are not currently available in most countries of the region. If the requisite data are available, the indicator may preferably be included. A structural indicator of importance which may be included under this head is the percentage of urban population, changes in which indicate the effects of economic development and spotlight the need for urban development.

Health and Nutrition

Improvement of health conditions and provisions of the requisite health services constitute an essential aspect of socio-economic development, good health being an essential aspect of the quality of life, as well as a prerequisite for high levels of productivity. The primary objectives of a health programme are the prolongation of life, control of mortality at the younger ages where it is most pronounced, and improvement of the health status of the people through prevention and cure of diseases. Special programmes for the improvement of maternal and child health are generally envisaged. The indicators which are most directly concerned with these objectives are the expectation of life at birth, the infant mortality rate, the mortality rate of children aged 1 to 4, the maternal mortality rate and the prevalence rate of illness.

While the first four indicators are unexceptionable, a possible alternative to the prevalence rate of illness is the incidence rate. In fact, while the prevalence rate may be regarded as a stock indicator, the incidence rate is a flow indicator and the two are complementary. However, if a single indicator is to be chosen, the prevalence rate seems to be more appropriate as a direct measure of the

state of health, which reflects the overall effect of incidence as well as the duration of illness. In planning for the improvement of health, special emphasis is usually laid on the control of communicable diseases. An indicator which can perhaps usefully be added in this context is the standardized mortality rate for communicable diseases.

In health planning, one is also concerned with the availability and use of health services including medical and para-medical personnel and the factors that affect health such as housing, sanitation, water supply, nutrition and the consumption of injurious items such as tobacco, liquor and drugs. The two principal indicators on health services which are generally used are the number of hospital beds and the number of physicians and surgeons per 100,000 of population. It is also useful to add the number of nurses and midwives per 100,000 of population, as they constitute another critical category of health manpower. Indicators of the use of health services such as hospital admissions per 100,000 of population are of limited utility, since the extent of use depends partly on the extent to which facilities are available and partly on the extent of need, and do not therefore indicate much. An indicator such as the ratio of occupied bed-days to available bed-days may, however, be more useful as an indicator of the utilization of the available capacity.

Indicators of housing, including water supply and sanitation, and nutrition may be considered under the respective heads. Data on consumption of injurious items such as tobacco, liquor and drugs are difficult to obtain. Data on heights and weights are sometimes suggested as indicators of health, but they are also regarded as indicators of nutritional status.

In the developing countries of Asia, where

large sections of the population are underfed and suffer from malnutrition, one of the principal aims of socio-economic development is to improve food consumption, quantitatively as well as qualitatively, with particular attention to the nutritional status of the younger age-group. The nutritional value of food is measured in terms of the quantities of cereals and proteins. While the calorific content of the food consumed provides an indication of the quantitative consumption, the protein content provides an indication of the quality of the food.

The principal indicators proposed under this head are the per capita consumption of calories and proteins and percentages of households with aggregate calorie and protein intakes below the respective minima required. They cover the quantitative as well as qualitative, and average as well as distributive, aspects of food consumption. In addition, an indicator on the nutritional status of children would be useful as most of the nutrition programmes are directed towards children, especially of the younger age-group. The indicator proposed is the percentage of primary school children considered underweight. In choosing an indicator concerning school children, it is assumed that data on heights and weights of school children would be more easily available than data relating to children outside the school system, because of the health examinations of school children, which are a common feature in many countries. The indicator is no doubt difficult to compile insofar as the weight of each child is to be judged in relation to its height and the status determined at that level.

Housing and Environment

Improvement of housing conditions is one

of the important aspects of socio-economic development. The principal goals of housing programmes usually are to provide homes to the homeless, to improve progressively the type of housing, replacing wherever possible temporary and improvised housing units by permanent and semi-permanent units, to reduce over-crowding especially in urban dwellings, to provide safe drinking water, sanitary facilities and electricity to dwellings which do not have such facilities, and to improve the surrounding environment to make living pleasant, healthy and safe. The indicators most useful for the development and assessment of such a programme are the percentage of households without homes, the percentage of households in permanent and semi-permanent dwellings, the percentage of households with access to safe drinking water, the percentage of households with access to toilets of an acceptable type, the percentage of households using electricity and the percentage of households with more than two persons per room.

The terms "permanent" and "semi-permanent" applied to classify dwellings, the term "safe" applied in relation to drinking water and the term "acceptable" applied to toilets, need to be defined in the light of local standards. The indicators relating to over-crowding and toilet facilities may be restricted to urban areas, because space is not much of a problem in rural areas and toilet facilities exist to a significant extent only in urban areas in the developing countries. To measure over-crowding, an arbitrary norm of more than two persons per room, is proposed, considering the requirements of privacy and the small size of rooms usually constructed in mass housing programmes in the developing countries. An indicator on the floor space available per person may be useful but difficult to collect and compile.

The indicators have all been proposed in terms of households rather than dwellings, as the concept of dwelling as a housing unit is of limited applicability in the developing countries of Asia, and it is more appropriate to study the housing conditions of households rather than the characteristics of housing units. For the formulation of housing programmes, however, information is required not only on the housing conditions of households, but also on the housing stock, new construction and demolition. An indicator that may be useful for measuring the progress in housing construction is the ratio of growth in the number of dwelling units to the growth in the number of households. The proportions of owner-occupied and rented dwellings are sometimes suggested as useful indicators, but they are somewhat ambiguous as development indicators, as their significance depends on what is regarded as progress, which in turn depends on the social philosophy of the State.

Suitable indicators on environment are yet to be developed. An indicator such as the percentage of households living in densely populated areas may, however, be a useful addition, as the environmental problems are associated with densely populated areas. For purposes of this indicator, a densely populated area has to be appropriately defined. A specially useful variant of this indicator is the percentage of urban households living in slums.

Education and Culture

Among the educational goals of development planning, usually, are universal primary education, higher levels of enrolment at the secondary level, a tie-up of tertiary enrolment with manpower needs involving, in

particular, appropriate levels of enrolment in scientific and technical education, provision of equal opportunities in education to boys and girls, improvement of the efficiency of the educational system and progressive eradication of illiteracy. The indicators most needed for the formulation of educational programmes and assessment of progress are the enrolment ratios and input-output ratios at the various levels, the proportion of girls enrolled in schools and the proportion enrolled in science and technology in colleges and universities.

There are two main types of enrolment ratios; gross, relating total enrolment at each level to the number of persons in the corresponding age-group; and net, restricting the numerator also to the relevant age-group, thus leaving out under-aged and over-aged children at each level. A third approach could be to ascertain the percentage of children in each age-group enrolled in schools, at whatever level they may be. The indicators to be selected should accord with the manner in which targets are set. In the Indian Plans, for instance, the gross enrolment ratios have been used for target-setting. It would indeed appear difficult for any country to set targets in terms of the net enrolment ratio, although it is a more refined measure for analytical purposes. In countries, where compulsory education is envisaged up to a certain age, without reference to the level of education, the third alternative would obviously be more appropriate. In any case, one set of enrolment ratios should be sufficient for any country's needs. Enrolment ratios are sometimes compiled in relation to certain arbitrary age-groups to ensure international comparability. For national use, however, it is important that the corresponding age-group for each level should be determined taking into account the permissible age of admis-

sion, the duration of the course, etc. While the age-groups corresponding to the first and second levels of education are easy to determine, it is not that easy for the third level, because of the heterogeneity of the courses which comprise the third level and the wide variation in the ages at which persons enter and leave the colleges and universities. Even so, there is no reason why a corresponding age-group for the third level could not be envisaged in the same manner as for the first and second levels, commencing at the point where the second level age-group ends and providing for the duration envisaged for the most common streams of university education, such as arts and sciences. Comparison with such an age-group would be preferable to comparison with an arbitrary age-group such as 20-24. The Indian Plans use the age-groups 6-11 for the primary level (5 years), 11-14 for the middle level (3 years), 14-17 for the secondary level (3 years) and 17-23 for the higher level for the computation of enrolment ratios. Those groups, however, need to be defined more precisely.

The percentage of female enrolment is a useful indicator and can be compiled for all levels. However, if one of these is to be picked up as an indicator of female education, the one for the second level is preferable because primary education is more or less universal and it is at the second level that girls usually drop out of the educational system in traditional societies. In regard to scientific and technical education, both the second and third levels are relevant, but the third level is obviously more important. Input-output ratios are used as indicators of efficiency. The ratio at each level is defined as the number of pupil-years required on the average to produce each terminal leaver. As an alternative, the graduation rate defined as the successful terminal leavers expressed as a percentage

of new entrants n years before, n being the normal duration of the course, can be used. In the developing countries, the latter seems to be more feasible, more useful and more meaningful than the former. These ratios are particularly useful at the first and second levels of education. Another useful indicator is the student-teacher ratio which is well-known and generally used.

A variety of complicated indicators such as expectation at birth of years to be spent in the educational system, ratio of average time in the school system to minimum period of compulsory school attendance, average age on leaving the educational system, and expectations of reaching various stages of the educational system from various initial stages, have been suggested for development. Most of these indicators have apparently been designed for analytical purposes and may be useful for educational projections. They are generally not used for target-setting or measuring progress.

An indicator of educational attainment which is generally used is the adult literacy rate, covering the population aged 15 and over. Other indicators suggested from time to time are the average age on leaving the educational system and average number of years of education completed. These indicators may not, however, be very useful, as the number of years put in is not a precise indicator of the educational attainment. A more useful indicator of attainment may be number of university degree holders per 100,000 of population.

Not much attention has been paid to cultural development in the developing countries of Asia. Nonetheless, some indicators of cultural development such as the number of books published, circulation of general

daily newspapers and the number of radio receiving sets per 100,000 of population may be useful. Indicators of leisure-time utilization and related activities, facilities and expenditures are often suggested as cultural indicators. These indicators may not, however, be suitable for developing countries, where most of the people are not time-conscious. Even the facilities for leisure such as theatres, museums, art galleries, libraries, playgrounds, swimming pools, clubs, parks, etc., are also largely confined to urban areas. A common and growing form of entertainment in countries such as India is the cinema, but there is often a complaint that the cinema shows neither depict the cultural heritage nor help the cultural development. With all its limitations, capacity of licensed cinema houses per 100,000 of population may be a feasible and useful indicator. A similar indicator on theatres may not, however, be equally useful, as the capacity of the theatres is not fully utilized.

Employment Working Conditions and Social Security

The main objectives of employment policies and programmes in developing countries are the maximization of employment and minimization of unemployment and under-employment, with particular attention to the new entrants to the labour force and the educated unemployed. Provision of equal opportunities to all in matters of employment is a related objective in many countries. Labour policies are directed *inter alia* to ensure the best of working conditions and employer-employee relations, minimum losses to the employer and maximum benefits to the employee. In regard to social security the objective usually is to provide security through insurance or other means to cover the various risks, related to

employment such as unemployment, ill-health, injury, maternity, and retirement.

The indicator which reflects most directly the main objective of employment policies is the percentage of population of working age employed. It may, if so desired, be split up into its two components, viz., the percentage of the population of working age who are economically active, and the percentage of the economically active population who are employed, but the suggested indicator may be preferable as it reflects the combined effect of the two components. The percentage of economically active population unemployed is the usual indicator of unemployment. It may usefully be split up into the sub-indicators: one for the age-group 15-24, which includes most of the new entrants to the labour force, and the other for the age-group 25 and over. An appropriate indicator on educated unemployment could be the percentage of the unemployed who have completed second level education or above. An alternative to this could be the percentage of the educated manpower (economically active) which is unemployed. The former may, however, be preferred because it is the relative situation with which one is more concerned.

Indicators of unemployment and under-employment have been the object of considerable criticism in developing countries, especially India, because of the ambiguity of the concepts and lack of consensus, on the best ways of measurement. Nevertheless, the need for appropriate measures of unemployment and under-employment remains and better ways of measurement will have to be found.

The percentage of women in non-agricultural employment may be an appropriate indicator of women's participation in econo-

mic activity. Women's participation in agricultural activities, often as unpaid family workers, is a common practice in developing countries and it is the participation of women in non-agricultural activities that is of greater significance. Another indicator of relevance in development planning is the percentage of employed persons engaged in agriculture, the progressive reduction of which is one of the main objectives of planning.

Other indicators concerning the economically active population suggested in recent literature are the average annual rate of growth of the active population, average length of working life, average age at retirement, index of industrial mobility, index numbers of employment (weighted by earnings and education), crude engagement and discharge rates, the average age of the unemployed and the average duration of unemployment. Most of these indicators may be useful for analytical purposes, but do not seem to be of much direct use in planning.

In regard to conditions of work a number of indicators can be thought of concerning hours of work, wages and earnings, working days, paid holidays, industrial accidents, industrial disputes, etc. Among these, the most important from the view point of planning seems to be the index of real earnings. Further, considering the importance of minimizing time losses due to various causes, a composite indicator of working days lost per worker on account of industrial accidents, industrial disputes and absenteeism may be considered for inclusion. Another indicator which may be useful as an indicator of the freedom of association, is the percentage of economically active persons who are members of trade unions.

Employment services are also subject to planned development, and some operational

indicators such as the percentage of economically active population registered with employment exchanges, percentages of registrants placed in employment, the cost of employment services per user, etc., can be thought of. These indicators may be useful for improving the efficiency of the employment services but do not seem to be important enough to be included among indicators of socio-economic development.

In regard to social security, an essential indicator is the percentage of the economically active population covered by social security schemes. Others, such as the proportion of eligible persons in receipts of benefits, benefits received per person covered, benefits as a proportion of available income, etc., are of secondary importance. Moreover, as the social security systems in most of the developing countries are still fragmentary, overall indicators on the benefits paid may not be of such use.

Social Defence and Welfare

Public order and personal security are not usually subject to planned development, although they are important matters of social concern. But social defence, which comprises essentially the preventive, probation and correctional services including the care, education, training, reform and rehabilitation of the offenders, with special attention to juvenile delinquents, is usually included among social development programmes. The rates of incidence of crime and delinquency, which may be regarded as indicators of personal security, are needed for planning programmes of social defence. They may also indicate the impact of social defence programmes on the crime situation, which is a matter of social concern. The crime rate and the juvenile

delinquency rate, as usually compiled on the basis of police records, do not, however, reflect the real situation, because not all the cases of crime and delinquency are reported to the police or come to its notice. Crime rates may, therefore, be compiled preferably in respect of four major categories of crime, viz., criminal homicide, aggravated assault, robbery and burglary, which do not usually escape reporting. Among the other possible indicators, those concerning victims, their injuries and losses may be of considerable interest, but the relevant data are not generally available. It may be useful to compile the government expenditure on public order and safety per 1,000 of population as an indicator of governmental effort in this regard.

As regards social welfare, although the term itself connotes the well-being of the entire society, welfare programmes are generally aimed at providing assistance to the underprivileged, handicapped and other weaker sections of the society, which need special care and attention. They are directed, in particular, to the welfare of women, children and youth, old people, physically and mentally handicapped persons, orphans and destitutes, tribal groups, backward communities and the poorer sections of the population. In view of the heterogeneity of the scope and content of the welfare programmes, it is difficult to envisage overall indicators of some utility. The best that can be thought of is the government and private institutional expenditures on social welfare services per 1,000 of population. Another possible indicator is the number of inmates of welfare institutions as a proportion of the relevant groups in the population. This indicator, however, is difficult to compile unless the basic data regarding the numbers in the population are available.

In socio-economic development, improvement in the levels of living, coupled with an equitable distribution of income, consumption and wealth, assumes central importance. Improvements in health, nutrition, housing, environment, education, culture, employment, working conditions, social security and social welfare are all but the physical aspects of the level of living, the monetary aspects of which are measured mainly in terms of incomes and expenditures. An improvement in the incomes available to the households and individuals is an essential pre-requisite for an improvement in consumption in a given price situation. Improvements in consumption expenditures are, however, of no significance unless they involve real improvements, net of price variations. Apart from the average levels of income and consumption, an equitable distribution of income and consumption between the various sections of the population and reduction of existing inequalities, especially where they are high, have of late become matters of great social concern. A drastic reduction of inequalities in the distribution of wealth has become necessary for more equitable distribution of income and consumption. Socio-economic policies and programmes have generally been directed towards these ends, and priority of the minimum needs of life to the weaker sections of the population.

In selecting a set of indicators to depict the situation and changes in this respect, one is constrained by the availability of the requisite data. In regard to income and wealth, the requisite data are not generally available. The position regarding data on consumption expenditure, however, is much better. As the sole indicator on income,

the average available income per household is proposed, available income being defined as the sum of distributed factor incomes (*i.e.*, compensation of employees, entrepreneurial income and net property income) and net current transfers received. As the relevant data are not generally available and reliable, no indicator on the distribution of income is proposed. In regard to consumption, the per capita household expenditure at constant prices is proposed as the level indicator. It may be supplemented by the percentage of consumption expenditure on food, which indicates the pattern of consumption. The average consumption expenditure of the bottom 30 per cent of the households and their share of the total consumption expenditure of all households have been used in the Fifth Five Year Plan of India as poverty indicators. The proportion of population below the poverty line has actually been estimated at about 40 per cent, but raising the level of consumption of the bottom 30 per cent to the minimum desired level has been specified as the immediate objective. A direct indicator of the extent of poverty is the proportion of population below the poverty line, the determination of which involves the use of norms which may vary from time to time and from country to country. As an indicator for inter-temporal and inter-country comparisons, it is, the refore, of limited validity. On the other hand, the alternative approach of taking the consumption expenditure of a specified percentage of households at the bottom of the scale, involves an element of arbitrariness in specifying the percentage, and what is good for a given country may not be good for another. However, as a general proposition, the consumption expenditure of the bottom 25 per cent of the households as a proportion of the total consumption expenditure of all households is suggested as an indicator of poverty. A related indicator, which

may be useful as an indicator of inequality is the ratio of the average consumption expenditure of the top 5 per cent of the households to that of the bottom 25 per cent. Technically, it may not be comparable to the Gini coefficient, but from the viewpoint of the user, it is perhaps better understood. In suggesting a comparison between the top 5 per cent with the bottom 25 per cent, the general shape of the expenditure distribution, which is wide at the bottom and thin at the top, has been taken into account.

Comprehensive indicators of the distribution of wealth are difficult to obtain. However, in developing countries such as India, where most of the people depend on agriculture, data on the distribution of land provide useful indicators. Governments in these countries are in fact primarily concerned with the redistribution of land and other forms of land reform. Two indicators which may be useful in this connection are the percentage of land owned by the top 5 per cent of land-owners and the percentage of land owned by non-cultivators. Another series of indicators often used for the depiction of the economic status of households comprises of the percentages of households possessing specified consumer durables such as automobiles, refrigerators, etc. Such indicators may not, however, be useful in countries such as India, where the proportions of households possessing such expensive items are minute. A possible exception is the percentage of households with own transport equipment, but if the policy of the State is to discourage ownership of private vehicles and encourage public transport systems, the indicator would be of no use.

A list of 64 indicators based on the above suggestions is annexed. In suggesting these indicators, consideration has been given

only to their suitability for adoption in planning and assessment of progress at the national level. Their suitability and availability for the measurement of regional and sub-regional disparities in development has not been considered. Generally speaking, the indicators should also be suitable for the measurement of regional and sub-regional disparities in development. Some of the indicators, however, may be available only at the national level, some may be available at the regional level and some others at the sub-regional level, depending on the source of the basic data. Indicators derived from censuses and administrative records may, in many cases, be available at the sub-regional level. Those derived from sample surveys may at best be available at the regional level. Some others may be available only at the national level. An attempt has been made to demarcate in the annex the indicators which can and ought to be compiled at the regional (state) and sub-regional (district) levels. The unmarked indicators can be compiled only at the national level. The sub-regional indicators can of course be compiled at the regional level also. In all, 20 indicators have been suggested for compilation at the sub-regional (district) level and an additional 40 indicators for compilation at the regional (state) level. The other 4 indicators can be compiled only at the national level. While some of the indicators refer specifically to urban areas, the others may, wherever feasible and desirable, be compiled separately in respect of rural and urban areas.

DEVELOPMENT OF THE INDICATORS

In selecting the indicators, consideration has been given to the likelihood of availability and the possibilities of development of the requisite basic data in developing

countries such as India. It is, however, by no means certain that all the data required for the compilation of the indicators would be readily available. Even if some data are available, they may not be regular, up-to-date and reliable. Taking the case of India, for instance, the decennial population census provides some information on the growth of population, rural-urban distribution and migration, homeless population, nature of housing, literacy, educational attainment and economic activity. It also forms the basis for the estimation of intercensal birth and death rates and preparation of life tables, including estimates of life expectation at birth and subsequent ages. It does not, however, provide all the information required in the requisite form even on these aspects, and whatever is available is available at decennial intervals. The civil registration system is so deficient that not much use can be made of the birth and death rates derived from the system. The recent enactment and enforcement of legislation for the compulsory registration of births and deaths has not so far had much effect. The sample registration system initiated sometime ago on a limited scale has, however, proved itself very useful, and fairly reliable estimates of birth and death rates, separate for urban and rural areas, are now available at the state level in the form of time series. It also provides the information required for the computation of fertility rates and infant and age-specific mortality rates. The system, however, needs to be expanded and strengthened.

The National Sample Survey (NSS), initiated over two decades ago, and conceived of as a multi-purpose sample survey system, has, during the last two decades, produced a wealth of information on various social and socio-economic aspects such as demography,

health, housing, educational attainment, employment and unemployment, income, consumption and certain forms of wealth, such as, land holdings. Most of these surveys provide some basic information on demographic particulars, such as, age, sex, marital status and household composition. The demographic surveys, in particular, provide information, also on birth, death, fertility and migration rates. The birth and death rates are, however, generally lower than those produced by the sample registration system. Surveys on health and morbidity, which are few and far between, are still regarded as exploratory, but some estimates of the incidence and prevalence of illness are available, from this source. Surveys of housing conditions, which are more frequent, provide useful information on the nature of housing, number of occupants, water supply, electricity and toilet facilities.

Surveys on employment and unemployment have been a regular feature of the NSS programme till recently. They provide a mass of information on participation in economic activity, employment, unemployment, under-employment, hours worked, earnings and even migration. The concepts and definitions used have, however, undergone changes from time to time, with the result that it is difficult to build up a comparable time-series, except for a few years during the sixties, when they remained more or less stable. The series was recently discontinued because of the prevailing dissatisfaction with the results and a new survey with a different conceptual framework and methodology was undertaken during 1972-73. The present intention is to conduct such surveys once in five years. Thus, while it is difficult to construct a comparable time-series of indicators on employment and unemployment, the basic information is available.

Surveys of consumer expenditure, sometimes accompanied by enquiries on income, savings and indebtedness, have also been a constant feature of the National Sample Survey till recently, while the income data have generally been regarded as not too reliable, the expenditure data have been put to very many uses. The data have been tabulated for many years by fragile groups which facilitate computation of the suggested inequality indicators, as also the others based on expenditure. Land holdings surveys have also been conducted from time to time, and these help computation of indicators based on the distribution of land holdings. Information on land owned has also been collected and it should be possible to tabulate these data in the requisite manner.

Although quantitative data on food consumption have been collected in the consumer expenditure surveys, no nutritional analysis has been attempted, presumably because the data have not been considered accurate enough for the purpose. Small scale localized nutrition surveys of selected sections of the population have been conducted from time to time by the National Institute of Nutrition, but these do not provide data of national validity. A Nutrition Monitoring Bureau has recently been set up under the National Institute of Nutrition to undertake a continuous study of the nutrition status and dietary habits of the population, and it is hoped that some useful data on nutrition may emerge from this source in course of time.

Current statistics on health compiled by the Ministry of Health and confined largely to health services, particularly, hospitals, and persons treated in hospitals. Data are also collected on communicable diseases. Information on registered medical practitioners, nurses and midwives is also collected and compiled, but is generally regarded as of

doubtful accuracy. The statistics suffer from inordinate delays and incomplete coverage. There is scope for considerable improvement in the statistical system and efforts are being made to improve the content, coverage and timeliness of the data collected.

Current statistics on education, collected by the Ministry of Education concern mainly the number of educational institutions, teachers and students. Some information is also collected on school facilities and educational expenditures. Comprehensive educational surveys are conducted from time to time to supplement the annual statistics. Although attempts have been made to collect the age-distribution of students, the results have not been quite satisfactory. No information on school attendance has been collected in the population census, but a proposal is under consideration to conduct a household survey on education. There is also a plan to reorganize the educational statistics in order to minimize the delays and rationalise the collection procedures. Many of the suggested indicators on education can, however, be compiled on the basis of the available data. The suggested indicators on cultural aspects can also be compiled without much difficulty.

Besides the data on employment and unemployment collected through the population census and the National Sample Survey, a mass of labour statistics are collected by the Ministry of Labour through its own channels. Information is thus available on wages and earnings, consumer prices, industrial disputes, industrial accidents, absenteeism, labour turnover, trade unions and social security systems, although some of the data are confined to certain organised sectors of the economy. The desired indicators can be compiled on the basis of these data. The quality of some of the data, however, needs to be improved.

Information on incidence of crime and delinquency is derived from police records. Data on victims of crime are not available, but some information on property losses and recoveries is published. The limitations of the police records as a source of information on crime is recognised. No alternative source such as victim surveys has, however, yet been tried out.

In regard to social welfare, information collected and compiled at present is largely confined to governmental expenditures. No systematic information is collected on the activities and expenditures of welfare institutions. There is, however, a project to organise collection of statistics on social welfare on a more systematic basis hereafter.

While much of the basic information required for the compilation of socio-economic indicators for development planning may thus be available, no coordinated attempt has yet been made in India to collect, compile and analyse the basic data and to prepare and publish the indicators on a regular basis. As a first step towards the development of such indicators, it is necessary for the statistical and planning agencies to consider jointly the indicators required for development planning and assessment of progress. The Central Statistical Organisation, which forms an integral part of the Ministry of Planning and is closely associated with the activities of the Planning Commission, is in the most convenient position to undertake the preparation and publication of the indicators. The data available from the various sources need to be closely examined from the viewpoint of preparation of the requisite indicators, and arrangements have to be made for the compilation of the data in the requisite manner. In case the requisite basic data are not available, arrangements have to be made for the collection of the

data through the most appropriate agencies.

Obviously, some of the indicators, *e.g.*, those based on population censuses can be compiled only at decennial intervals, some, *e.g.*, those based on sample surveys, possibly at quinquennial intervals, and some others, *e.g.*, those based on current statistics, at annual intervals. The collection and compilation of basic data required for the preparation of annual indicators need to be speeded up and the data made available with the minimum time-lag. Data not available through the current sources, as well as data which cannot be collected through the census, can only be collected through sample surveys. The National Sample Survey thus assumes considerable importance as a potential source of information for the compilation of a number of indicators. The programme of the National Sample Survey should give due consideration to the data needed for the preparation of socio-economic indicators and provide for the collection of the requisite data at regular, say, five-year intervals.

The U.N. Statistical Office has since presented to the Statistical Commission (eighteenth Session, October, 1974) a document entitled "System of Social and Demographic Statistics (SSDS): Draft Guidelines on Social Indicators" (E/CN, 3/450). It includes in an annex Statistical Series, related to the Social concerns envisaged in SSDS, for selecting appropriate social indicators, but does not provide a specific list of indicators. The guidelines are, apparently, meant for the "statistically advanced" countries and not for the "less advanced".

Finally, it is important that the indicators compiled are put to proper use. No statistical project can survive for long if the data produced are not put to use or cannot be made use of.

Annexure

SOCIO-ECONOMIC INDICATORS FOR DEVELOPMENT PLANNING

I. Population

1. Growth rate†
2. Birth Rate*
3. Death Rate*
4. General fertility rate*
5. Net rural-urban migration rate*
6. Percentage of urban population.*

II. Health and Nutrition

1. Expectation of life at birth
2. Infant mortality rate*
3. Mortality rate of children aged 1-4*
4. Maternal mortality rate*
5. Standardised mortality rate for communicable diseases*
6. Prevalence rate of illness*
7. Number of hospitals beds per 100,000 of population†
8. Number of physicians and surgeons per 100,000 of population*
9. Number of nurses and midwives per 100,000 of population*
10. Ratio of occupied bed-days to available bed-days†
11. Per capita daily consumption of calories*
12. Per capita daily consumption of proteins*
13. Percentage of households with aggregate calorie intake below the minimum required *
14. Percentage of households with aggregate protein intake below the minimum required*
15. Percentage of primary school children considered under-weight.*

III. Housing and Environment

1. Percentage of households without homes†
2. Percentage of households in permanent or semi-permanent dwellings†
3. Percentage of households with access to safe drinking water*
4. Percentage of households with access to toilets of an acceptable type*

5. Percentage of households using electricity for domestic purpose*
6. Percentage of households with more than two persons per room*
7. Ratio of growth in number of dwelling units to the growth in the number of households†
8. Percentage of households living in densely populated areas.*

IV. Education and Culture

1. First level‡ gross enrolment ratio†
2. Second level gross enrolment ratio†
3. Third level gross enrolment ratio*
4. Percentage of girls in second level enrolment†
5. Percentage of science and technology enrolment at third level*
6. Student-teacher ratio at first and second levels†
7. First level‡ graduation rate†
8. Second level graduation rate†
9. University degree holders per 100,000 of population†
10. Adult literacy rate†
11. Books published per 100,000 of population*
12. Circulation of general daily newspapers per 100,000 of population*
13. Radio receiving sets per 100,000 of population*
14. Capacity of cinema houses per 100,000 of population.*

V. Employment Working Conditions and Social Security

1. Percentage of the population of working age employed
2. Percentage of employed population engaged in agriculture†
3. Percentage of women in non-agricultural employment†
4. Percentage of the economically active population unemployed in the age-group (a) 15 to 24 and (b) 25 and over*
5. Percentage of the unemployed population who have completed second level of education or above*
6. Index of real earnings of employees*
7. Working days lost per employee on account of industrial accidents, industrial disputes and absenteeism.*
8. Percentage of the economically active population who are members of trade unions*
9. Percentage of the economically active population covered by social security schemes.

VI. Social Defence and Welfare

1. Crime rate per 100,000 of population†
2. Juvenile delinquency rate per 100,000 of juvenile population†
3. Government expenditure on public order and safety per 1000 of population.
4. Government and private institutional expenditures on social welfare services per 1000 of population.
5. Number of inmates of welfare institutions as a proportion of the relevant group in the population*

VII. Income, Consumption and Wealth

1. Average available income per household*
2. Per capita household consumption expenditure at constant prices*
3. Percentage of household consumption expenditure on food*
4. Consumption expenditure of the bottom 25 per cent of the households (arranged according to household/per capita expenditure) as a proportion of the total consumption expenditure of all households*
5. Ratio of the average consumption expenditure of the top 5 per cent of households (arranged according to household/per capita expenditure) to that of the bottom 25 per cent.
6. Percentage of land owned by the top 5 per cent of land owners (arranged according to the size of land owned)*
7. Percentage of land owned by non-cultivators.*

*To be compiled at regional (state) level.

†To be compiled at sub-regional (district) level.

‡May be split up, if necessary, into two sub-indicators: one for the primary stage and the other for the middle stage.

Social Indicators for Communication in Urban Areas

SOcial indicators serve a useful purpose to gauge the social progress made. Relatively little has been done in this field in communication, particularly in the context of an urban area. An attempt is made in this article to take stock of the nature of social indicators, special problems relating to communication and the characteristics of an urban area, before evolving on a quantitative basis a few social indicators for urban area.

SOCIAL INDICATORS

The purpose of social indicators has been visualised by Indian Council of Social Science Research (ICSSR) as an evaluation of the social progress made by the country since independence. The sources for identification of such goals are the Indian Constitution, party platforms and pronouncement by national leaders. These sources emphasise the importance of social accounting in order to evaluate performance in various sectors so that effective intervention can be made towards remedial action. Such an emphasis implies a basic consensus on the desired goal towards which the system should move and a firm understanding of the pattern of inter-relationship among various dimensions in terms of influencing behaviour of one or more characteristics by controlling or manipulating the behaviour of other characteristics.

Towards constructing social indicators, the

following questions have been visualised :

- (a) How is a consensus achieved on desired goals and values and what standards are laid down for constructing the social indicators?
- (b) If the social indicators are to throw light on the progress made as well as to facilitate remedial actions, how are the cause-and-effect relationship determined so that policy makers know how one type of input affects various other types?
- (c) What should be the relative importance of descriptive and evaluative indicators?
- (d) How are data to be aggregated at some level so that regional variations are allowed for and yet the indicators remain within a manageable proportion?
- (e) What are the different requirements for social indicators, keeping in view the available social data, and the cost and time involved to collect additional data? and
- (f) How are weightages to be assigned to different indicators?

A review of recent and current studies on social indicators was conducted at the United Nations Research Institute for social development in Geneva in 1968. The Institute

suggested a common list of social indicators for social and demographic purposes (for health & demography, nutrition, education, housing and communications) and economic purposes (transport & services, agriculture, industry, trade and general)/for use on an international basis. These indicators were built along with structural features and were circulated to India among others.

In order that the basic questions related to social indicators could be resolved in the Indian context, ICSSR has commissioned studies on the basis of development in India since independence (1947-72) on the following aspects :

- (i) demography;
- (ii) social structure and change;
- (iii) political development;
- (iv) economic development;
- (v) educational development;
- (vi) public order and safety;
- (vii) science & technology;
- (viii) environments;
- (ix) literature & culture;
- (x) health; and
- (xi) social welfare.

INDICATORS FOR COMMUNICATION

It will be observed from the above that the monographs on social indicators to be prepared under ICSSR do not include communication. This required attention as the time spent by an average citizen with the communication media has certainly gone up during the last twentyeight years. The communication media have the following framework :—

- (a) one to one;
- (b) one to many;

- (c) many to one; and
- (d) many to many.

While (a), (c) and (d) are facilitated by the existence of telecommunication services to be public and certain forms of print media, (d) is facilitated by mass communication devices, such as, radio, television and print media. Both the individual communication (particular messages sent and received by one individual or group of people at a time) and decentralisation of the mass communication media (at the local level in the form of a community radio service or television service for SITE villages) have increased considerably along with a remarkably upward trend in the number of channels available for communication, and therefore household coverage.

In common with other social indicators, there are three inter-related problems for communication. First, there is a prevailing disagreement in the political and social norms and goals which the new communications technology should serve in Indian society. Secondly, the need of the new communications media for the mass audience has to be viewed from the point of view of the widespread phenomenon of "information explosion". According to Kaarle Nordenstreng (Director, Institute of Journalism and Mass Communication, Finland), the whole world is in the grip of the so-called consciousness industry manipulating the minds of the masses, to the exclusion of interpretative information with emphasis on the quality of contents (and not on the quantity of media and messages). Finally, there is a problem of expenses involved.

The list of social indicators suggested by the U.N. Research Institute for Social Development, Geneva, include the following on

communication :

- (i) Newspaper (daily general interest) circulation per 1000 population;
- (ii) Telephones per 100,000 population;
- (iii) Radio receivers per 1,000 population;
- (iv) Television receivers per 1,000 population; and
- (v) Radio *and* television receivers per 1000 population.

URBAN AREA

The above indicators on communication is of general application and does not refer to this urban area in particular. The urban development has been cited in the Science and Technology plan, 1974-79 as "a process that carries a heavy scientific and technological lead but in which all the levers are of a political-socio-economic nature" (Vol. II, Aug. 73). In fact, no national scenario has been conceived of in India where the urban human settlement is viewed as a continuum. Urban areas in our country are settlements with high living and squatting density, which behave as man-made organisms needing land, water, power and other infrastructure and with an almost total inadequacy in all these needs (sewerage and drainage of water, for instance).

The problems of urban areas have been viewed mainly as follows :

- (a) over-population with increasing rate of migration from village to town, which brings the town services to near break-down point;
- (b) archaic social structure with institutions, attitudes, values and rituals brought over *en masse* from village to town;

- (c) inefficient municipal administration which does not encourage decentralization by planning transporting to move people and goods in specified directions;
- (d) erroneous policies on industrialization, making clusters of industrial units within the town limits;
- (e) lack of modern urban technology, where life-support systems are modelled after those of villages; and
- (f) parasite relationship between the urban and rural areas where towns drain the resources and the young people from the surrounding hinterlands and can give very little in return to the rural areas which remain ignorant, backward and poverty-stricken.

INDICATORS FOR URBAN AREA

Constructing social indicators for urban areas should take into cognizance the standards and norms for various urban communities as related to their social aspect. It is important to note that in an urban (and often industrial) area, there is usually high literacy, organised social forums and well-grown trade unionism with distinct political affiliations. To that extent, active and distinctive attitudes towards social problems are likely to have formed under some leadership after surmounting such extraneous factors as emotions, socio-religious customs and taboos.

Within social norms of an urban area, communication can be viewed as a device (i jk) which emanates from medium i, has a content j and is meant for target-audience k. The variations in the elements ijk are

illustrated below :

- (i) The medium i may be telephones, telegrams and telex; radio; television; posters and wall-news; teleprinters; pamphlets, leaflets and other special publications; films and slide-projections; live drama; music and poetry recitals; rumours and catchy slogans; rallies; processions and mass events; and exhibitions.
- (ii) The content j may relate to messages meant for specific individuals or audiences or the public at large; messages may be purely entertaining or just informative or highly interpretative; if messages are to have a social meaning, they may try to promote not merely ideals but also an individuals well-being measured in terms of security and job-opportunity or the messages may try to generate trust in hard work, dependence on discipline, sense of perspective in prosperity, benefits of communal life and growth of confidence in the government.
- (iii) The target-audience k may be subdivided by literacy occupation and income, age, sex and degree of adjustment to urban life (based on length of stay in urban area and related factors).

A communication device may be involved in either a non-iterative or an iterative process. In the former, a 'pulse' (i j k) is generated as very stimulus and a responsibility identified. An iterative process may be visualised to be in dynamic equilibrium in which "pulses" are generated, information is obtained on the perceived needs by controlled feedback, consistencies are identified and

rectified "pulses" are generated again. In the latter process, communication can gain on its utility to the urban community by reaching more men, by an increasing the frequency (or duration) of people's exposure, by improving the quality of 'pulses' and by serving the social goals and values.

The utility measured U (ijk) of a 'pulse' depends at least on the following variables :

$N(i)$ = The number of people from category (i) who participated in the communication process in a given time period;

$L(i)$ = The average length of time for which target-audience (i) is served by the communication process;

$Q(ijk)$ = The quality of the 'pulses'; and

$V(ijk)$ = The value of the 'pulses' with regard to the social goals.

The information on the number of people (N) from various categories of population participating in the communication process and their average period of exposure (L) can be found from the files and records of the organisations responsible for communication. Usefulness of the data will depend on the extent to which estimations and extrapolations are resorted to.

Quality (Q) can be assessed with regard to different evaluating criteria such as, capability, effectiveness, efficiency, inter-relation and accessibility. Some of these are illustrated below.

(a) $Capability = N(k)/N'(k)$

Where $N'(k)$ is the number of people from category (k) for whom the need for the

communication process has been accepted. In other words, capability measures the degree to which the communication device will satisfy the perceived need. Another measure of capability is the average time between acceptance of need and the actual starting of the 'pulses'.

(b) Effectiveness

This is the extent to which the 'pulses' have been used to achieve the urban community goals and values. A subjective rating mechanism can be developed to judge how successfully a communication medium (i) has served a target-audience (k).

(c) Efficiency

This is the amount of output-service per unit of input-resources. The measurement can be as follows :

$$\begin{array}{l} \text{either } \frac{N(k) \text{ or } L(k)}{\text{No. of men employed full time in} \\ \text{in generating 'pulses'}} \\ \text{or} \\ \frac{N(k) \text{ or } L(k)}{\text{Total man-hours spent in generating} \\ \text{'pulses'}} \\ \text{or} \\ \frac{N(k) \text{ or } L(k)}{\text{Total direct cost of generating 'pulses'}} \end{array}$$

(d) Inter-relation

This is the extent of consultation and co-operation among the communication media. Measurement is possible by aggregating the number of hours shared with other media, the frequency of sharing and the number of men (or Man-hours) shared.

(e) Accessibility

This is the extent to which a communication medium (i) can be available for a target-audience (k) within a given time or distance. The measurement can be as follows :

$$\begin{array}{l} \frac{N(K) \text{ or } L(k)}{\text{Round-trip time between the regional} \\ \text{centre of the media and the town of} \\ \text{target-audience } k} \\ \text{or} \\ \frac{N(k) \text{ or } L(k)}{\text{Round-trip distance as above}} \end{array}$$

It is necessary to obtain proper 'weights' for the quantified measures derived with regard to the five criteria as above and to transform the 'weighted' measures into appropriate utility values by the use of utility criterion relationship, use of Delphi technique with a panel of experts is recommended for this purpose. Thereafter utility values should be aggregated to produce single quality rating $Q(ijk)$ for the 'pulse'. The aggregation may be done by simple addition or multiplication if the criteria are independent of each other, or through known trade-offs if the criteria are inter-dependent.

The value of the 'pulses' with regard to the social norms and goals can be determined only by subjective assessment. Use of a standard scale of 0-100 (ranging from 'not relevant' up to 'very essential') is recommended, for giving scores to the 'pulses' by the use of either Delphi technique or the method of paired comparison.

Last of all, an attempt should be made to derive a combined utility measure $U(ijk)$ of the 'pulse' in terms of N , L , Q and V . Alternatives on the possible aggregation are simple

addition, simple multiplication, trade-off combination or ratios. The criterion for selecting a particular aggregation method is its reasonable behaviour within a given urban area.

It has to be noted that the utility measure $U(ijk)$ is strictly relative and does not have an absolute value, unlike the measurement of N and L which have absolute values. Further $U(ijk)$ is dependent on time and requires continuous revision and updating to maintain conformity with the dynamic social community in a given urban area.

CONCLUSION

To summarize, social indicators have been viewed as an evaluation of social progress made and are linked with problems relating to the consensus on desired goals and values,

aggregation and regional variations, and so on. The attempt by U.N. Research Institute for Social Development in Geneva has been followed up by ICSSR in India, but social indicators for communication are lacking in the Indian context. An attempt has been made here to evolve on a quantitative basis social indicators for communication for an urban area, after considering the problem of the latter. These indicators take into account different types of communication media, the content of their messages and the target-audiences, and try to build a utility measure in terms of number of people from each category, length of time, quality and value of the 'pulses' generated by communication device. Normally within a framework of relative values, some of the measurements can be made in absolute terms, and, to that extent, the social indicators will have their use and area of applicability.

Indicators for Urban Poverty

IN the Third World, most of the urban problems originate from or are linked to urban poverty. Hence the nature and extent of urban poverty will have significant bearing on the policies and mechanism for 'orderly' urbanization. The value element implied in 'orderly' urbanization refers, in fact, to alleviation of urban poverty in order that urbanization affords the people involved a humane and meaningful life. Understanding and gauging urban poverty then is a pre-requisite for designing appropriate policies for urbanization.

Just as broad, general economic indices, such as GNP or consumption expenditure per head are considered inadequate and misleading measures of levels of development or backwardness, such indices are subject to a formidable set of theoretical and practical deficiencies in cognising and measuring urban poverty. The synthetic income and expenditure indices can hardly give one an inkling of the processes underlying urbanization and the impact of national and regional policies on urbanization and vice-versa. In fact, given the multi-faceted nature of the phenomena of urbanization one can scarcely get a well-rounded picture of urban poverty by any single index which is realistic, has enough depth and, at the same time, focusses on variables critical for policy formulation and implementation.

Hence the need for a system of indicators; some elements of social statistics which realistically and comprehensively portray

the nature and extent of urban poverty but do not pose conceptual and statistical data collection problems far more formidable than the potential 'light' as well as policy 'fruits' expected from them. This task has to be viewed in the context of the infancy of the subject of social indicators, and particularly in the context of the brief experience of applying such indicators to the urban scene.

Urban poverty needs to be assessed at two levels. In societies characterized by massive and deep-rooted poverty of the type typical of L.D.Cs., there are important sectoral—regional dimensions of poverty necessitating preparation of a profile of urban poverty at the macro-level in order to highlight these dimensions *vis-a-vis* agricultural-rural sectors, etc. Urban poverty then encompasses the broad urban, industrial, informal sector poverty.

The other aspect is micro-level poverty in terms of the socio-economic characteristics of families and individuals caught in the poverty trap. In the present note, we deal with the micro-level problem only.

Indicators are conceptualised variously. According to one view a social indicator may be defined as "a statistic of direct normative interest which facilitates concise, comprehensive and balanced judgements about the conditions of major aspects of a society. It is in all cases a direct measure of welfare and is subject to the interpretation that, if it changes in the right direction, while other

things remain equal, things have gotten better, or people are better off.”¹

From this point of view, choice of indicators has to be explicitly related to the choice of objectives and the direction of their movement is to be interpreted as contributing to or detracting from the chosen objectives.

In a more general sense, indicators are taken “to extend the depth of social reporting (*i.e.*, the assessment of the condition of society *vis-a-vis* its aspirations, goals, or problems)”² In this sense, “membership in a social system model or a parameter or variable” makes a social statistic a social indicator. However, every variable or parameter of a social system model cannot be adopted as indicator without reference to its criticality or importance in terms of some specific problems, policies or objectives. Hence a certain degree of choice, whether normative or dictated by the analytical requirements of a theoretical, policy-formulation or predictive model, needs to be exercised in adopting a set of indicators out of the whole gamut of social statistics. In fact, whether the variables or parameters of a social system model refer to the ‘inputs’ or the ‘outputs’ (insofar as such a sharp delineation is feasible in an interpenetrative, mutual dependence system) of the system is also important in determining the choice of social indicators.

For example, ownership of urban land can be taken as an ‘input’ of the system insofar as it gives rise to income and means of consumption. But looked slightly differently, urban income levels indicate whether a family can spare means to acquire urban land

or add to its ownership of urban land. Hence, extent of ownership can also appear as an ‘output’ of the system.

Thus, the choice of indicators need not necessarily be restricted to ‘output’ variables indicating the ‘performance’ of the system. There are situations when the performance level either cannot be easily identified, isolated and/or measured. On the other hand, there may exist a fairly strong kind of correlation between certain ‘inputs’ and the expected performance of the system, even though the performance may not be easily measured. In such cases, *e.g.*, urban poverty being related to command over various kinds of physical and financial assets, ‘inputs’ can be taken as quite appropriate indicators of urban poverty. Such indicators also enable one to minimise the contrast between the indicators measuring aggregate welfare and those which more intimately reflect the distributive aspects of the performance of the system.

One’s choice of indicators of urban poverty will have to be exercised within the context of one’s conceptualisation of the urban system. For example, if the urban system is thought of as an integrated system, with the lower rungs of the urban population constituting an integral, well-knit part of the system, urban poverty will mainly be reflected in employment opportunities, rate of growth of urban industries and services, nature of technology used, wage-levels and extent of availability of social security and services. Specific aspects of urban poverty, *e.g.*, inability to afford a decent house, will be related to specific kinds of market failure. Certain aspects of poverty, *e.g.*, environmental

¹ *Towards a Social Report*, Department of Health, Education and Welfare, Paris, OECD, 1969.

² Roy Carr-Hill and Olav Magnussen, *Indicators of Performance of Educational System*, Paris, OECD, 1973.

impact of poverty, will be related to specific kinds of externalities—economies and diseconomies.

On the other hand, if the urban system is such that it cannot be taken to be an adequately integrated and organized system, then the dualistic structure of the urban system with its specific organized—unorganized (or, better, semi-organised) sector linkages, will give urban poverty a structural and difficult-to-tackle kind of complexion. In such a case, traditional, standard measures like wage-rates, employment rate per family, rate of growth of industries and services in the organised sector, consumption expenditure, leisure, off-take from the system of socialized consumption, etc., will be poor material to portray the nature and extent of urban poverty. The organizational pattern of the semi-organized, informal, partially market-oriented system of urban accretion will provide more valuable clues concerning the character and magnitude of urban poverty and its close connection with the rural hinterland. The speed at which the urban system draws people, allows them entry, their speed of adjustment and ultimate absorption in a system of vertical and occupational mobility, not only go to define an urban system but also give shape and content to urban poverty. None of these indicators of poverty can assume the distribution of 'real income' and its sources (distribution of assets, form of organisation, organisational flexibility and linkages with the rest of the economy) as given.

From this point of view David Harvey's concept of "price of accessibility and the

cost of proximity"³ can be fruitfully used to understand the phenomenon of urban poverty. Harvey maintains that it is generally agreed that accessibility and proximity are important features of any urban system. "Accessibility of employment opportunities, resources and welfare services can be obtained only at a price, and this price is generally equated with the cost of overcoming distance, of using time, and the like".⁴ Then proximity is defined as "the effects of being close to something that people do not make any direct use of. A household may thus find itself proximate to a source of pollution, to a source of noise, or to a run-down environment. This proximity tends to impose certain costs upon the household (e.g., cleaning and laundry bills, sound-proofing etc.)"⁵

From this it follows that the spatial form of a city (location of houses, transport routes, employment opportunities, sources of pollution, etc.) goes to determine the price of accessibility and cost of proximity for the urban household. In countries experiencing big urban influx where the spatial form of the city is constantly changing, understanding of urban poverty would be facilitated by specifying the *price of accessibility and cost of proximity*.

Similarly, it is widely recognized that "external economies and diseconomies are a pervasive and important feature in the urban scene".⁶ Harvey maintains that much of what goes on in a city can be interpreted as an attempt to organize the distribution of externality effects to gain income advantages. Hence if poverty is to

³ David Harvey, *Social Justice and the City*, London, Edward Arnold, 1973, pp. 56-57.

⁴ *Ibid.*, p. 57.

⁵ *Ibid.*, p. 57.

⁶ Quoted by Harvey, *op. cit.*

do with real incomes, indicators of urban poverty have to identify and measure the nature and extent of external economies and diseconomies for various categories of urban households. For example, location of 'impure' public goods, like fire services, is an important determinant of this service being available to different localities.

In a dynamic setting, the changing location of jobs and housing will influence the pattern of poverty insofar as it is a matter of redistribution. The impact of locational decisions on real incomes is a very important avenue changing property values. Apart from changes in direct incomes obtained from properties, it has indirect effects on consumption on the pattern of the 'Pigou effect'. Thus indicators of urban poverty have to include redistributive impact of changes in urban property values along with the changing pattern of distribution of assets and properties. Command over property and assets is likely to leave out the various formally-acquired and informally-obtained skills of the labour force in urban areas. Hence, specific indicators showing formal and informal skills are essential to portray poverty. The growth and development of formal and informal opportunities for imparting such skills (including those based on earning through doing) are important aspects of skill-profile of the urban poor.

The nature of economic and social organisation, e.g., market-oriented, family based, formal organised sector and informal-semi-organised and interface between economic, social and political processes and organizations are important indicators of the kind of poverty one is subject to. Poverty may be related to low-level of returns to a particular service or activity owing to current

balance of supply and demand forces. It may be arising from basic economic factors like command over social and economic power and the institutions supporting this balance of power. Poverty may be connected with the nature of social and economic change (like decline of some activities owing to demand or technological factors), the means and speed of adjustment to change and institutional factors giving varying capacity to different groups and strata to acquire the adjustability. Given one's model of urban reality, specific kinds of choices concerning indicators are likely to be made.

The choice of indicators is also likely to be influenced by the dominant system of thinking which is being used for conceptualizing the urban processes. It is a function of the kind of sociological imagination one is bringing to bear on the issues and whether 'space' (or geographical imagination) is an explicit element entering cognitive processes.

This also has a relation to macro, socio-economic perspective. Systems viewing urbanization as a planned social process throw up a different system of indicators than one in which urbanization appears as an unplanned, by-product process of the basically elemental movement of the economy, society and polity, which inevitably in a modern context is mediated by conscious political control and regulation.

Some general indicators can be listed which may be chosen in various mixes according to one's model of urban development. Without claims to their comprehensiveness, one such listing is presented below:

1. Spatial location of the household; central city, distance from the centre,

- suburban, peripheral; authorized, unauthorized.
2. Demographic features of the household.
 3. (a) Physical condition of the dwelling unit (age, maintenance, kind of structure, etc.)
(b) Ownership of house, kind of landlord.
(c) Rent/maintenance and other expenses on houses.
 4. Extent of overcrowding, space per person.
 5. Physical condition of neighbourhood/surroundings.
 6. Land per household, value of land, nature of land (valuable/marginal, marshy hard, etc.), kind of landownership, etc.
 7. Kind of economic activity: technical nature, character of output, character of inputs, skill-needs, machinery and power need, market outlets; organised, unorganised, local, intracity, through middlemen, direct, self-consumption, contractual supply.
 8. Migration-status.
 9. Employee/nature of employer/permanent—casual, mode of wage-payment/wage-rates.
 10. Self-employment, casual work/steady, skill-needs/ capital needs/market dependence: inputs, outputs, techniques.
 11. Manufacturing/service-sector activity; details.
 12. Civic facilities available in the area.
 13. Civic facilities available in the house, payment/free, how much payment listing of specific facilities.
 14. Private consumption (household) in physical terms:
Food
Nutrition Value
Clothing
Transport
Entertainment
Power—electricity / kerosene / conventional
Education—No. of children going to school/literacy/
Functional literacy
Health :
Preventive : inoculation, Vitamin tablets, sanitation
Curative : consulting private doctor/ government doctor/others.
 15. Extent of open unemployment.
 16. How much surplus/leisure time available.
 17. Total value of assets :
Productive
Non-productive
Skills
 18. Externalities.
Neighbourhood's impact on
(1) Income
(2) Work
(3) Living
(4) Cultural Life
(5) Security
Positive/negative points of living in a city over those of village.

The list can easily be expanded/modified. What is clear is that the choice has to be conscious and criteria of choice have to be related to the urban model, objectives and policies.

About the availability of statistics, collec-

tion of data on a regular, institutionalized basis can be recommended only in cases where the worth of information (including reliability) is generally recognized; in the rest of the cases, pilot surveys in different places and at different times to throw up a body of cross-section data may be enough.

Assessment and Output Indicators for Urban Health and Family Planning Programmes

TO evolve a list of indicators which could be really useful for decision-making to Indian administrators in the area of Urban Health and Family Planning would require intensive study of:

- (1) the actual goals of impact on the health status of different population groups, and their translation into working objectives of coverage and quality of all the different health services and programmes currently operating in our urban areas;
- (2) the existing recording and reporting systems of these programmes would have to be intensively studied to glean out indicators which are relevant for keeping track on performance, and for periodically assessing the impact on health status of the target population groups of different programmes.

Annexure I is a list of indicators which could be used by administrators to assess the level of maternal and child health at a given moment of time, and consequently form the basis for setting quantified goals or impact objectives of integrated MCH/FP programmes.

Their trends when determined at periodic intervals would provide information regarding improvement, maintenance or worsening of the health situation in mothers and children of local communities.

Annexure II is a list of 'output indicators' for integrated urban MCH/FP programmes. They have been based upon an intensive study of the coverage and quality objectives of ongoing MCH/FP programmes in a large city, and their current primary recording and reporting documents. The current sources of data and its utility has been briefly discussed below each suggested indicator.

Since the urban areas in the country have been divided for administrative convenience into zones, we find that all currently operated urban health programmes by local self-governing bodies have a three-tier administrative set-up :—

- (1) The medical officer-in-charge of actual service giving units, some but not all of which cater to well-defined areas and populations.
- (2) Zonal officers-in-charge of several service giving units in one zone.
- (3) The chief executive-in-charge of the programme at municipal headquarters.

The output indicators suggested in Annexure II are for annual reporting to the chief executive. They have, therefore, to be based upon an information system requiring each suggested item to be reported from its relevant service giving unit, and its compilation taking place at the zonal level. When presented in the tabulated forms suggested,

the chief executive not only has an overall view but can make inter-zonal comparisons.

The major managerial purpose that it is hoped these indicators will fulfil is equal division of supervisory attention, direction and control amongst the three functional areas of maternal and child health and family planning. However, they can succeed in doing so only if the output objectives of family planning programmes have not been set at levels inconsistent with those of MCH programmes.

It is also hoped that they enable policy and planning decisions to be made on situational realities in individual zones, such as the following:

- (1) Can coverage of antenatal and child health programmes be increased by establishing zonal referral system, in which local MCH/FP centres send cases to hospital gynaecology and pediatric departments, only for MTP, confinement if so desired, sterilisation, and for

cases requiring specialist attention; all/routine MCH/FP services, including front line medical care for women and children, being offered to urban communities through local MCH/FP centres?

- (2) What is the best strategy to fill the gap between total estimated births in the urban areas and the total safe deliveries taking place at home, maternity home, and hospitals? Should it be increased in hospital based maternity beds, or should it be construction of new maternity homes offering diet in addition to safe delivery, or should it be through expansion of centre based domiciliary delivery programme?
- (3) What are the levels and trends in the pattern of acceptance of different MCH/FP Programmes by the community, so that planned location of future facilities, and availability of manpower, material, and financial resource be made to cater more accurately to the future levels of demand?

Annexure I

SUGGESTED INDICATORS FOR ASSESSING MATERNAL AND CHILD HEALTH AND FAMILY PLANNING SITUATION IN URBAN AREAS

I. Maternal Health

- (a) **Percentage distribution of births taking place in the local population according to place of delivery and type of attendant**

Sample Registration Scheme yielded this information separately for rural and urban areas of individual States in 1965-67. In the absence of local data this may be used as a guide. All India (pooled S.R.S.) Institutional Del. 7.1%, Home Del. 92.9%. Type of attendant recognised practitioner

Reg. para-medical 11.3 %

Unrecognised practitioner (Indigenous Dais) 42.9 %

Non-professional, *e.g.*, relatives/friends 38.7 %

- (b) **Average percentage of pregnant women receiving Ante-natal care—Post-natal care**

This can be obtained from local health service records.

The percentage can be arrived at from service statistics by using as denominator an estimate of total pregnancies. Roughly if CBR is 40% total pregnancies can be any where between 47-55 %. But this figure is not static due to increasing use of family planning methods.

- (c) **Maternal Mortality rate and its major causes**

The routine civil registration does not yield this information. Studies on MMR in areas of the same State or perhaps the same District may have been done by departments of PSM/O.B.Gyn. of the nearest Medical College. For Haryana MMR has been obtained from a representative sample in Dr. Mamgain's study — Indigenous Dai Survey. The best approach is to obtain maternal mortality figures from the death registers maintained by local health field staff and arrive at an estimate of the MMR taking as denominator an estimate of total live births in the area over the same period as the maternal deaths. Regarding causes of maternal deaths, unless a very high proportion of deliveries is taking place by trained hands—one is safe in assuming sepsis, haemorrhage, toxæmia and obstructed labour as the leading killers with coexisting systemic conditions such as Tuberculosis or heart disease occupying a place of much less importance.

- (d) **Still Birth Rate—Total Number of Still Birth Per Thousand—Total Births—Live/Still**

The sample registration scheme is yielding this data separately for rural and urban areas of individual States. This may be used as an indicator of the level of obstetrical

care in the absence of local data—1969 figures—All India pooled estimate—Rural S.B.R.=22.1 Urban S.B.R.=4.4 to 17.3%.

(e) Prenatal Mortality Rate

Although this is the most sensitive indicator of the level of obstetrical care in any community, it is not very applicable for the Indian situation as a whole since MMR is still very high. However, if local studies have been done, *e.g.*, in local Medical Colleges, their findings can be used to make a baseline assessment in this area. M.K.K. Menon's study on Indian PNMR based on $1\frac{1}{2}$ million births was 78 per 1000 births. (PNMR—USA)—33.5% births).

(f) Incidence of Low Birth Weights

A sensitive indicator of the overall health status of pregnant women especially their nutritional level and prevalence of anaemia is the percentage of *live new borns* which have *low birth weights*, *i.e.*, birth weight less than 2.5 Kgm. (Since the gestation period is never likely to be obtained with any accuracy, this factor can be ignored). For this indicator the local figure is best, and can be obtained by analysing recorded birth weights of live newborns over a period of 6 to 9 months. Some Indian studies have indicated that 60 to 70% of live newborns have low birth weights.

(g) Maternal Morbidity

This assessment should pertain to the health status of women and pregnant women in particular, *e.g.*, extent of Anaemia, Helminthic infestations, pulmonary tuberculosis, urinary tract and pelvic infections, average nutritional status as reflected by heights and weights, etc. A study of the common diagnostic categories having to be dealt with by local gynaecology departments, would also indicate the extent of obstetric malpractice in the community, *e.g.*, percentage of cystoceles, rectoceles, varying degree of uterine prolapse, unrepaired perineal and cervical tears, etc.

Indian studies on Maternal Morbidity reveal the following picture in general :

MATERNAL MORBIDITY

Anaemias	—	60 %
Other signs of nutritional deficiency	—	10 %
Helminthiasis	—	40 %
Chronic Diarrhoeas and Dysentries	—	20 %
Pelvic inflammatory disease coexisting with pregnancy	—	10 %
Re-current acute episodes of resp. inf.	—	5 %
Pulmonary Tuberculosis	—	3 %
Toxaemia	}	1 %
Syphilis		
Diabetes		
Heart Disease		

(h) Average intake of nutrients and calories by women during pregnancy

The following general data on nutritional intake of pregnant women in the country as a whole can be used as a baseline.

<i>Nutrients</i>	<i>Average taken</i>	<i>Recommended Intake</i>
Protein	59.2 gms.	78.8 gms
Animal Protein	12.4 gms.	27.1 gms
Fats	38.1 gms	74.1 gms
Carbohydrates	357.2 gms	371.7 gms
Calcium	0.58 gms	1.48 gms
Phosphorus	1.34 gms	1.92 gms
Iron	23.32 gms	37.50 m.gms
Vitamin A	2192 i.u.	5907 i.u.
Vitamin B	0.474 m.gm	1.5 m.gm
Vitamin C	46 m.gms	133 m.gm
Calories	2020	2476

Percentage distribution of pregnant mothers by levels of daily calorie and protein intake.

<i>Calorie intake</i>	<i>Per cent</i>	<i>Protein intake (gms)</i>	<i>Per cent</i>
Total	100.0	Total	100.0
Less than 800	4.6	Less than 20	9.7
900—1000	11.2	20—30	25.6
1000—1200	18.8	30—40	24.8
1200—1400	18.8	40—50	21.8
1400—1600	10.5	50—60	13.5
1600—1800	21.8	60—70	3.8
1800—2000	7.5	70 & above	0.8
2000—2200	4.5		
2200—2500	0.8		
2500 & above	1.5		

II. Child Health

- (a) Percentage distribution of all deaths in infants and pre-school children, i.e., age 0—5 years according to place of death and type of attendant at death

Local data is best. A representative sample of recorded child deaths over a stated period may be obtained from the local death registers. The place and type of attendant can then be obtained by household enquiry of each death falling in the sample.

- (b) Infant Mortality Rate

It is best to do local estimation of the IMR by studying local death and birth registers and averaging if possible for past 2-3 years. S.R.S. yields IMR separately for rural and urban areas for all major States. All India pooled estimate (1971)—122. Rural—131 and urban—81.

- (c) Neonatal and Post-Neonatal Mortality expressed as percentages of the I.M.R.

With little improvement in environmental sanitation, much underlying malnutrition and consequent high mortality from acute infectious illness, post neonatal mortality, i.e.,

$$\left(\frac{(\text{infant deaths after age 28 days \& before the 1st birthday} \times 1000)}{\text{Total No. of live births}} \right)$$

still constitutes around half of the total Indian infant mortality. On the other hand in advanced countries neonatal mortality, i.e.,

$$\left(\frac{(\text{Infant deaths from birth to age 28 days} \times 1000)}{\text{Total No. of live births}} \right)$$

constitutes almost 90% of total infant mortality. Its major causes like asphyxia, neonatoum, congenital defects, prematurity, etc., obviously require breakthrough in scientific knowledge.

A declining trend in the proportion of IMR which is post-neonatal, will, therefore, most sensitively indicate improvement in the nutritional status of infants, better protection with specific immunisation, and more hygienic child rearing practices. The S.R.S. yields data on post-neonatal and neonatal infant mortality separately for urban and rural areas of all major States and this can be used in the absence of local analysis.

- (d) Age specific death rate in ages 1-5 years

Not very practical in Indian situation because of inaccurate age data and gross under recording of early deaths. (Child deaths aged 1-4 years 1962 females 30.1 per 1000, males 25.2 per 1000 and both sexes 28.1 per 1000)

- (e) Recorded deaths of children 0-5 years as a proportion of the total recorded deaths in a given period of time

This is a more easily obtained index and gives an idea of the quantum of total local mortality taking place before age 5.

(f) Major causes of infant and pre-school mortality

This data can only be obtained from special researches. Findings on some Indian Studies are summarised below :

Major causes of Indian Neonatal Mortality:

1. Prematurity/low birth weight.
2. Acute respiratory infections mostly aspiration pneumonias
3. Birth Trauma
4. Congenital Defect
5. Septicaemias—mostly tetanus
6. Acute gastro intestinal infection.

Major causes of Indian Post-neonatal and pre-school Mortality:

- | | | |
|--|---|--|
| <ol style="list-style-type: none">1. Acute Respiratory Infection2. Acute gastro intestinal infection3. Acute Exanthemata4. Tuberculosis | } | with underlying malnutrition a predisposing factor in all. |
|--|---|--|

(g) Major causes of infant & pre-school morbidity

Findings of some Indian studies are summarised below.

1. Malnutrition and its acute syndromes.
2. Helminthic infestation and Diarrhoeas
3. Acute and chronic infections of ENT—eyes upper Resp. Tracteskin.
4. Tuberculosis.

(h) Percentage distribution of Indian pre-school children by levels of daily calorie and protein intake

Survey data—Nut. Res. Lab. ICMR—1967 Hyderabad was as follows:

<i>Calorie intake</i>	<i>Per cent</i>	<i>Protein intake</i> (gms.)	<i>Per cent</i>
Total	100.0	Total	100.0
Less than 550	36.7	less than 12	29.3
550—750	24.8	12—16	18.3
750—950	22.8	16—20	17.3
950—1150	8.7	20—24	14.8
1150—1350	3.8	24—28	11.0
1350—1550	1.7	28—32	4.6
1550—1750	0.2	32 and above	4.8
1750 and above	0.2		

III. Family Planning

- (a) Total No. of couples currently protected from conception by sterilisation, I.U.D., regular C.C. use, oral pills—as a percentage of the estimated total eligible couples in the area, i.e., couples with wives aged 15 to 44 years.

This data can be obtained from recorded F.P. statistics and compared with figures for the State or India as a whole. All India figures 1972-73—sterilisation 11.3%, IUD 1.4%, C.C. users 2.3%—total 15%. If total number of eligible couples in the community is not known because household survey registers have not been maintained, it is always possible to make a rough estimate on the basis of 180 eligible couples per 1000.

- (b) Percentage distribution of births taking place in the community according to mothers age and parity Status

If not available for all births in the community this can at least be obtained from the antenatal and delivery registers maintained by the health field staff. Declining trends in high parity births is obviously the most sensitive long term indicator for family planning. Roughly, almost 45% births are still taking place to mothers of parity more than 3.

- (c) Incidence of induced abortion in the community expressed as a ratio to the total live births

This can only be obtained from special studies.

Annexure II

OUTPUT INDICATORS FOR CHIEF MCH/FP ADMINISTRATOR OF A MUNICIPAL HEALTH ORGANISATION

I. Indicators of Coverage

- (a) Total registered antenatals, as percentage of total estimated live births, and as percentage of total registered births

One of the prime objectives of Urban MCH/FP programmes is to cater to the routine antenatal needs of all pregnancies in their covered population, irrespective of their intended place of delivery. Indeed hospital based antenatal clinics in urban areas should cater only to referrals. This indicator enables the chief administrator to perceive the extent to which this is being achieved by their own service giving centres.

Thus far, in order to estimate total overall coverage of their antenatal programmes, municipal organisations have been using as denominator the total registered births in the given calendar period. Owing to considerable under registration of births,

particularly those taking place at home attended by untrained dais, this indicator gives an over estimate of the actual proportion of pregnancies receiving antenatal care. It is suggested that the coverage of antenatal, and intranatal programmes be expressed as percentages of both total registered births as well as estimated total births. A comparison of the two gives some idea of extent of under registered births. With gradual improvement in urban vital registration leading to a negligible difference between estimated and registered births, the former can be deleted and the coverage of antenatal and intranatal programmes can then be assessed only on registered births.

(b) Total domiciliary deliveries, as percentage of total estimated live births and as percentage of total registered births

Prevailing economic hardships prevent many expectant mothers from reaching hospital or maternity homes for their deliveries, which get conducted by the nearest untrained indigenous dai. By providing domiciliary delivery services of trained midwives and dais, the role of urban MCH/FP programmes is to reduce such confinements to the lowest possible minimum. This indicator and its trends can, therefore, be used by the programme chief to indicate the extent of public awareness and confidence in the domiciliary delivery programme especially in that segment of the population which needs it most and is likely to avail of its services.

(c) Total maternity home deliveries, as percentage of total estimated live births and as percentage of total registered births

Maternity homes are in fact extensions of the domiciliary delivery programme aimed at providing health protection during delivery, not only by the provision of a trained attendant, but also that of a more hygienic and safe environment, than is available at home. This indicator enables the chief administrator to perceive the proportion of total deliveries being handled in maternity homes as a whole. Trends in this indicator as a whole, and in each zone would provide empirical basis for decision-making regarding future expansion, continuation or closing down of these services separately in each zone.

(d) Total hospital deliveries, as percentage of total estimated live birth, and as percentage of total registered births

Hospitals differ fundamentally from both the domiciliary delivery and maternity home services in being able to handle the abnormal pregnancy, labour or post-partum period. They also provide free diet, and nursing care to mothers and new born during the lying in stay. This indicator and its trends, therefore, provide information upon the extent to which they are shouldering the burden of total confinements taking place in the urban community on the whole and in the different zones. Again this will provide the empirical basis for rational decision-making regarding the expansion and location of new hospital maternity beds.

(e) Total registered children 0—3 years, as percentage of total estimated population 0—3 years

Child health being a linear programme any assessment of its coverage would depend upon the age till which its prescribed activities are relevant. Owing to the necessity for intervention against malnutrition and infections, specific diseases taking place as early as possible, it is far better in the Indian situation to try and achieve as a high coverage as possible of a small age group after birth—than aim at a bigger age group up to 5 or 6 years and achieve less coverage in doing so. Since the health hazards peculiar to infancy are known to extend themselves in the second and even the third year of life in India, the age group 0—3 years is suggested as the target population for urban child health programmes. The above indicator and its trends enables the chief administrator to perceive the extent to which the health of this highly vulnerable age group is being protected in the urban community as a whole and comparatively in each zone.

(f) Total acceptors of Family Planning methods, as percentage of total unsterilised eligible couples with last child less than 5 years

It enables the Chief administrator to perceive the extent to which their F.P. efforts represent coverage of that section of total eligible couples who are of proven fertility and in active reproduction, judging by the fact that their last child is less than 5 years. For demographic effectiveness, such couples should receive the highest priority for F.P. motivation and service.*

The working objective should be as close to 100 per cent coverage of these couples as possible, with some method of family planning. Since they are also the likely clients for MCH programmes this indicator reveals the basic interdependence of MCH/FP coverage.

II. Indicators of Quality

I. Ante-natal Programme

Table 2 is suggested for major quality indicators of urban Antenatal programmes. It enables the chief MCH/FP administrator to perceive the stage of pregnancy at which most of the antenatal cases are registered (Col. 3) and the average number of antenatal clinic and home contacts per registered case (cols. 5 & 7). The quality of screening of high risk pregnancy can be judged to some extent by the percentage of *primi parous* antenatals undergoing per vaginum examinations at 36th week (col. 9), the percentage of all antenatals referred for serological tests of syphilis (col. 10) and in whom Hb. and urine was checked at least twice (cols. 11 and 12). The percentage of antenatals referred to hospital also gives some idea of the extent to which antenatal history taking and physical examination is yielding high risk cases for referral to hospital (col. 15). Ante-natal protection against anaemia is assessed to some extent by the percentage antenatals

*K. Srinivasan & T.N. Sugathan, "Fertility Potential of the couples as a basis for setting priority for F.P. services"—Population Centre, Bangalore, *Newletter*, Vol. No. 5, July-August, 75.

to whom nutritional supplements were prescribed at least four times (col. 13). Extent of antenatal immunisation against tetanus is assessed by the percentage receiving 2 doses of toxoid (col. 14.). Effectiveness of antenatal motivation for F.P. by the percentage of antenatals referred to hospital for post partum tubectomy (col. 16).

2. Domiciliary Delivery and Post-natal Programmes

Table 3 is suggested for major quality indicators of urban domiciliary delivery and postnatal programmes.

It enables the chief MCH/FP administrator to perceive the proportion of registered domiciliary delivery cases not reached by the centre staff in time (col. 3) and the average number of postnatal home and clinic visits being received by each case (col. 5).

Since the occurrence of post-natal complications either in mother or new born is to some extent a reflection of the quality of obstetrical care, the proportion of cases developing these is entered in col. 8. The extent to which these postnatal complication could not be handled by the centre staff and had to be referred to hospital is indicated in col. 9.

Since poor obstetrical care can prove a hazard to life of baby and mother, the maternal deaths, still births and neonatal death taking place in registered domiciliary delivery cases are to be entered in cols. 10, 11 and 12. *Irrespective of their place of occurrence in hospital or at home, and irrespective of whether, if occurring at home, centre staff attended at time of deaths.*

3. Maternity Home Services

- (a) Average duration of lying in stay per case.
- (b) Average bed occupancy rate.
- (c) Total number of confinement cases with complications in mother or new born during lying in stay, as percentage of total confinement cases.
- (d) Total number of hospital referrals for complications in mother or new born during lying in stay, as percentage of total confinement cases.

The duration of lying in stay is taken as an indicator of quality since the provision of nursing care to mother and new born is one of the objectives of maternity home service. The number of complications in mother and new born during delivery or lying in stay and the proportion having to be referred to hospital are the other quality indicators suggested, as they reflect upon the major objectives of maternity home service, viz., the provision of safe, hygienic delivery at the hands of trained attendants. The bed occupancy rate is a useful index of utilisation of maternity homes, especially, for decision-making regarding further increase in capacity.

4. Child Health Programme

Table 4 is suggested for major quality indicators of urban child health programmes. It enables the zonal MCH/FP administrator to see the frequency of contact with registered children in their home and in clinics. The frequency of the latter has been shown separately for infants and toddlers simply because the prescribed schedule of clinic visits is usually different.

The extent of immunization of registered children with primary S.P., BCG, DPT & Polio vaccines and the percentage receiving a minimum of 4 off takes of nutritional supplement from the clinic are the other quality indicators suggested, since protection against specific diseases and nutritional deficiencies are the two major objectives of current child health programmes.

5. Family Planning Programmes

Since family planning methods differ greatly in the nature of clients likely to accept them, and the extent of required follow-up, quality indicators of their programmes require separate tabulations. Tables 5, 6 and 7 are suggested for the three major components of the National Family Planning Programme. However, similar appropriate tabulations could be devised for oral pills, medical terminations of pregnancy, and any other family planning method introduced on a mass scale in the programme.

The partitioning of family planning acceptors into MCH and Non-MCH clients done in these is not possible currently. It is suggested that the simple information of whether a family planning case is also registered with any of the Centre's MCH programmes be recorded, at the time of registration, in the separate registers maintained for each F.P. method. All other data items can be obtained from currently maintained household survey and programme registers, and case cards.

The suggested indicators enable the medical officer to see the extent to which MCH programmes are contributing to family planning acceptance as compared with the extension education efforts of family planning field staff in the general population. Also whether the quality of family planning acceptors from the standpoint of their future fertility is such as to bring about any substantial decline in birth rates. The fulfilment of prescribed follow-up schedules, extent of occurrence of side-effects and complications in tubectomy and IUD cases, workload of clinic visits imposed by each of these methods whether for medical relief or to renew supplies are some of the other specific aspects of quality on which concrete information is provided.

Table

1	2	3	4	5		6		7	
Zones	Zonal population	Estimated zonal live births	Registered zonal live births	Registered antenatals		Registered domici- liary deliveries		Maternity Home deliveries	
				No.	% col.	No.	% col.	No.	% col.
				3	4	3	4	3	4
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—()	—()	—	—()	—()

Table

1	2	3				4	5	6	7	8
Zones	Total Antenatals	Trimester of Registration				Total antena- tal clinic visits	Average visit per regis- tered antena- tal	Total antena- tal home visits	Average visit per regis- tered antena- tal	Total primi- parous antena- tals
		No.	%	No.	%					
		No.	%	No.	%					
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—	—	—

All percentages are of corresponding figure in column 2.

1

8			9	10		11	12	13		14		15	
<i>Hospital deliveries</i>			<i>Zonal Population aged 0-3 years</i>	<i>Registered children 0-3 years</i>		<i>Zonal area unsterilised couples with last childless than 5 years</i>	<i>All registered F. P. Cases</i>	<i>Tubectomies</i>		<i>I.U.D.</i>		<i>C C. users</i>	
No.	%col.	%col.		No.	%col.		%col.	No.	%col.	No.	%col.	No.	%col.
3	4				10		11	11	11	11	11	11	11
—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—()	—()	—	—	—()	—	—	—	—()	—	—()	—	—()

2

9	10		11		12		13		14		15		16	
<i>Primis with 36th week P.V. done</i>	<i>S.T.S. Examination</i>		<i>Hb checked 2 or more times</i>		<i>Urine checked 2 or more times</i>		<i>Nutritional supplements given 4 or more times</i>		<i>Tetanus Toxoid given twice</i>		<i>Referrals to Hospitals</i>		<i>Referrals for post partum tubectomy</i>	
No.	%		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
col. 8														
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—()	—	—()	—	—()	—	—()	—	—()	—	—()	—	—()	—

Table
DOMICILIARY

1	2	3		4	5	6	7
<i>Zones</i>	<i>No. of Domiciliary deliveries</i>	<i>Delivery before arrival to centre staff</i>		<i>Postnatal home visits</i>	<i>Average per registered domiciliary delivered</i>	<i>Total postnatal clinic visit</i>	<i>Average per- domiciliary delivery</i>
		No.	%				
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
Total	—	—	— ()	—	—	—	—

All percentages are of corresponding figures in column 2.

Table

1	2	3	4	5	6	7
<i>Zones</i>	<i>Total register- ed children</i>	<i>Total family home visits</i>	<i>Average per child</i>	<i>Total register- ed infants</i>	<i>Total infant clinic visit</i>	<i>Average per infant</i>
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
Total	—	—	—	—	—	—

All percentages are of corresponding figures in col. 2.

DELIVERIES

8		9		10		11		12	
<i>Postnatal complication in mother/new born</i>		<i>Hospital referral in Labour & puerperium*</i>		<i>Still births</i>		<i>Neonatal death*</i>		<i>Maternal death †</i>	
No.	%	No.	%	No.	%	No.	%	No.	%
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—()	—	—()	—	—()	—	—()	—	—()

*Within 6 weeks

†Within 1st month

8	9	10	11		12		13		14		15
<i>Total registered toddler</i>	<i>Total toddler clinic visit</i>	<i>Average per toddler</i>	<i>S.P. vaccination</i>		<i>BCG</i>		<i>3 doses of DTP</i>		<i>3 doses of polio</i>		<i>Nut supplements distributed 4 or more time</i>
			No.	%	No.	%	No.	%	No.	%	No. %
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—()	—	—	—	—()	—	—()	—()

Table
TUBEC-

1	2	3		4		5		6	
Zones	Total Tubectomies	M. C. H.		Non-MCH		Priority-I		Priority-II*	
		No.	%	No.	%	No.	%	No.	%
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
Total	—	—	—()	—	—()	—	—()	—	—()

All percentages are of column 2.

*F.P. Priority of couples based on future fertility potential according to Shrinivasan and Sugathan.

Priority 1—Wife less than 30 years parity status 3 or less and last child less than 5 years old.

Priority 2—Wife less than 30 years parity 4 & or wife more than 30 years, parity 3 & less—& age of last

Priority 3—Any age and any parity with last child more than 5 years.

Table
I. U.

1	2	3		4		5		6	
Zones	Total cases	IUD M.C.H.		Non-MCH		Priority-I		Priority-2	
		No.	%	No.	%	No.	%	No.	%
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
Total	—	—	—()	—	—()	—	—()	—	—()

All percentages are of column 2.

TOMY

7		8		9	10	11		12	
Priority-III		Nil follow up home visit		Total No. of post tubectomy clinic visit	Average per tubectomy	Total post tubectomy hospital referral		Hospital	
No.	%	No.	%			No.	%	No.	%
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—()	—	—()	—	—	—	—	—	—()

child less than 5 years.

6

C. D.

7		8		9	10	11	
Priority-3		Nil follow up clinic visit		Total post insertion clinic visits	Average per I.U.D.	Total post insertion hospital referrals	
No.	%	No.	%			No.	%
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—()	—	—()	—	—	—	—()

Social Indicators of Housing and Urban Development

WITH the formation or reconstitution of earlier international institutions¹ after the termination of Second World War, one of the crucial functions assigned to these institutions related to the promotion of (1) higher levels of living; and (2) conditions of dynamism in economic and social development.²

The United Nations Publication in 1954 (Sales No. 54 IV. 5) entitled "Report on International Definition and Measurement of Standards and Levels of Living" emerged as a result of the initial expert meeting in 1953 followed by an inter-agency modified report, namely, "International Definition and Measurement of Levels of Living; an Interim guide" (Sales No. 61. IV. 7) in 1961.³ A key stand was taken in these reports that none of the monetary indices (like per capita income) can form as a measure of levels of living for international guidance because of constraints of exchange conversions of

monetary units and identifying purchasing power parities of a number of countries. As a *via-media*, recommendation was made in terms of components of 'levels of living' and 'indicators of such components'; the unanimity exercises for the listing of the former proved easier but for the latter agreement looked more difficult though not intractable. Experience has demonstrated that in practice to quantify the indicators was not feasible since the pertinent data do not exist which can be purposeful; in consequence no internationally comparative indicators could be in the 'kitty' even up to the second half of the 1960's—notwithstanding the valuable U.N. publications like "Compendium of Social Statistics" (1963-67), Reports of World Social Situation. The honourable exception relates to the economic development data by the economists on GNP and various National Accounting data⁴ and the growing emphasis now being put on human capital and resources in the literature on economic growth.

¹ United Nations and its specialized agencies (namely, IBRD, IMF, ICAO, FAO, WHO, UNIDO, ILO, UNESCO, UNRISD, etc., of which some were newly formed and some reformed).

² Article 55 of the U.N. Charter.

³ Twelve components were listed in 1953: (1) health including demographic conditions; (2) food and nutrition; (3) education (including literacy and skills); (4) conditions of work; (5) employment situation; (6) aggregate consumption and savings; (7) transportation; (8) housing including household facilities; (9) clothing; (10) recreation and entertainment; (11) social security; and (12) human freedom, transportation and aggregate consumption and savings were dropped in 1961 revision.

⁴ Some national income data have no relevance to the welfare of the people; the expense on (1) conspicuous monuments such as 'pyramids'; (2) wastage on conspicuous consumption, etc., are assessed in Social Accounts but they are infructuous for welfare; (3) distribution of basic goods and services, which is not egalitarian, does not maximise welfare; and (4) feeling of security, job satisfaction, leisure, etc., are rich and thoughtful ideas but they do not enter into national accounting, etc.

UNRISD RESEARCH EFFORTS

The United Nations Research Institute for Social Development (UNRISD) continued work particularly on 'components of levels of living' in association with the ever-growing stress on human capital formation. In the work mounted by UNRISD, it has been accepted that the nature and process of development ultimately consummates itself into social factors' enrichment and therefore they are the integral part of growth process, *i.e.*, social and economic development.

An urgency is therefore earnestly being felt in the early years of the present decennium to develop and elaborate social indicators (or welfare indicators) which would or can measure the changes in social conditions. Such indicators are and can be result-oriented. UNRISD study first accomplished in this area "Levels of Living and Economic Growth: A comparative study of six countries, 1950-65" (UN Sales No. E. 69. IV. 9). UNRISD's Report No. 70.3 "Studies in the Measurement of Levels of Living and Welfare" conforms to the welfare indicators. UNRISD has listed four groups of such indicators: (i) indicators for the flow of welfare (level of living); (ii) indicators for the state of welfare; (iii) indicators for welfare effect; and (iv) indicators for the productivity effects of welfare. The first group of indicators are the crucial ones — which are also relevant for indicators of urban and housing development.

The quantification and injections or empiricism in the indicators for the flow of welfare (or levels of living) is the fulcrum which can constitute the social information system for social sector planning and performance budgeting. These indicators contain fertility in throwing out measurable points over time and space. Indices of calorific intake per day per person convey improvement in nutrition and therefore in the level of living.⁵

The quantified ratios or proportions such as the 'hospital beds per 100,000 population', teacher-students ratio are poor indicators as compared to 'life expectation' or 'working life expectation' at the age of 18 years. On the aforesaid approach and logic, UNRISD study relied on correlation analysis as an empirical criterion for selecting indicators; and put a mass of 73 theoretically reasonable indicators of 1960 distributed among the components, and determined the degree of correlation of each indicator with the mass (*i.e.*, its average correlation with the other 72 indicators) as a basis of selection. In the first step 73 were reduced to 42; thereafter 42 were dwarfed to 18 core indicators on basis of correlation—for each one with other 17 items. The inter-correlations are high and their analysis does lend support to the separate 'economic' factor and a separate 'social' factor of development; in between, high correlations are presented on an average among the social and the economic indicators.⁶

⁵ In general, the indicators that survive empirical testing tend to be indicators judged by experts to be technically superior ones. The empirical approach also leads to the use of structural indicators, (*e.g.*) indicators of demographic structure, occupational structure, structure of production. . . measure changes that are consistently identified with development. For example, percentage of the male labour force engaged in agriculture has an exceptionally high (inverse) correlation with most other developmental indicators. . ." (Donald V. McGranahan, "Analysis of Socio-Economic Development Through a System of Indicators", *The Annals*, Vol. 393, January 1971, p. 69.

⁶*Ibid.*, page 69—(See Annex. I of this paper).

An additional step beyond correlation analysis was taken by UNRISD; this was to establish 'correspondence system'⁷ among the developmental variables. The study drew three 'best-fitting censuses': (1) expectation of life at births and confined primary and secondary enrolment ratio; (2) Per cent of adult male labour in agriculture and combined primary and secondary enrolment ratio; and (3) expectation of life at births and per cent of adult male labour in agriculture. The first correspondence chart 1 shows that 50 years of expectation of life corresponds to 47 per cent school enrolment and chart 2 depicts that 47 per cent enrolment corresponds to 55 per cent adult male labour in agriculture; and chart 3 says that 55 per cent adults male labour in agriculture corresponds to 59 years of life expectation. Further, (4) chart 4 prepared, showing correspondences for the 18 indicators at a series of levels—which establishes that (a) most social and structural factors tend to change rapidly at the lower levels and slowly at the higher levels; and (b) industrial and economic production factors tend to show a pattern opposite to (a).

In other words, the 18 indicators of development do not change at uniform rates but show quite different patterns of change; and in relation to each other, some accelerate and others decelerate. Through logarithmic and exponential methods, mathematical transformations were further made to adjust the different rates to each other and flatten out the results portrayed in chart 4. Illustratively, three other charts were prepared: (1) chart 5 for a profile of a developed

European country; (2) chart 6 for a profile of a Middle-Developed European country; and (3) chart 7 for a profile of a developing country—and this developing country has a per capita GNP as high as that of developed country.

The 'correspondence system' in association with scale transformations (done through logarithmic and exponential methods) provides the study and is a base-board for forging a general but single synthetic index of socio-economic development—determining the 0 and 100 points and intervening calibrations for each of the indicator scales. Annexure B shows the aforesaid single synthetic indices along with per capita GNP of 47 countries—representing developed and developing countries from all the continents—in which, however, the four larger size population countries (that is, China, India, USA and USSR do not find place).

Nonetheless, following concluding observations of study are of significance

- (a) The correspondence system associated with scale transformations can be employed to provide development profiles of individual countries and also as a research instrument in typological analysis for knowing if different kinds of country (ies) have characteristically different patterns;
- (b) Geographically, large countries (and sparsely populated countries) at all levels of general development tend to be comparatively low in health and

⁷ 'Correspondence System' involves determining roughly, what levels of any one factor tends to go with given levels of other factors, and *vice versa*. These correspondences are not relations assuming depending one way or another, but are descriptive relations. Mathematically they are represented not by regression lines, but by 'best-fitting curves'; it is an aid to diagnosis since it is not the normal but the significant deviation from the normal that is of essence in diagnosis. Therefore, normal patterns of correspondence could be established among all the 18 core indicators, because of their high intercorrelations.

education; and small-sized countries both in population and/or area have relatively high levels of foreign trade but low levels of steel, energy and electricity consumption;

- (c) The synthetic general development index correlates significantly than does the per capita GNP both with individual social as well as individual economic indicators; and also predicts missing score better;
- (d) The synthetic general development index also seems to make more sense in cases where there is a large discrepancy between the per capita GNP and the general index. Though the discrepancy appears primarily due to maldistribution of the GNP in some cases—but in other case one can detect the difference between real indicator and monetary indicator. For example, the same amount of funds spent on governmental services, medical, education services, utilities, and the like may represent more effective maximisation of welfare than those through monetary indicators—even in situations of inflationary conditions; and
- (e) In spite of severe limitations of quantitative analysis of socio-economic development due to lack of data, the use of certain less conventional techniques of analysis—intended to make the most of available data and involving no assumptions, it is possible to derive somewhat clearer idea of what happens in development and thereby reach at a perhaps better understanding why development takes place.

INDICATORS OF HOUSING LEVELS OF LIVING

Development economists and other specialists in 1950s raised the question whether economic growth and egalitarianism in the underdeveloped regions/countries could be speeded and they felt that it could be. However, in the mid-1960s they realized that development did not shape as expected; for example, the GNP in some countries grew but inequitable distribution accelerated in Brazil, India, Peru, Columbia, Tanzania, Libya, etc. Therefore, it was felt that some national developments and its consequential desirable effects on distribution of income and justice demand prior briefing; and this is dependent on selection of variables which can represent particular aspects of the development process and its tuning with the social policy. A sound step in this direction can be through the unleashing of statistical techniques with empirical foundation—as has been brought out earlier in this article; nevertheless, it is pragmatic to initiate departures from traditional and conventional statistical methods to fit in the atmosphere of actual phenomena—because some of phenomena do not lend themselves fully to statistical treatment, such as institutional behaviour, non-economic factors, etc.

The areas of housing and urban development are not only sectoral but they distinguish themselves as having a high degree of capital infrastructure, not found either in the agricultural or rural atmosphere; for example, the sweep of developed land and building structures in the rural areas are close to the nature, the man-made phenomena and injections are much less in agricultural and primary occupations, and the role of fixed capital formation is minor—and in

the housing and urban sectors the behaviour and phenomena are more or less reverse. The characteristic of 'dualism' is more in operation in the housing sector even in the rural areas—where landlords or the owners of big farms (who are small in number) live in palatial houses—even though having one-storey houses and the farmers live in modest houses. Again, in the urban areas high and middle class families/households live in better and commodious dwellings—whereas nearly 60-70 per cent of families/households live in relatively smaller and poorly serviced dwellings—of which nearly 50 per cent often belong to slum or squatter category. In these sectors, production functions⁸ are also widely different from the agricultural/rural and manufacturing sectors. This phenomenon is equally seen in the developed and developing countries alike—though on a macro-level, the factor of 'dualism' is quite obvious in the developing countries, in contrast to what is found in the mono-culture of the developed economies.

Indicator of Housing Levels of Living

Right from the formulations of the Engels' law, it has been believed that food, housing and clothing and other expenditures of a family are regulated in percentage distribution with the variations in family income.

New formulations of consumer behaviour have changed some structure—though not its general frame. Long-term data of national consumer expenditure suggest that next to food, housing has an important place, and clothing comes afterwards in the consumer budgets of various communities (See Annexure III). It can be observed that the proportion of consumer expenditure on 'food' becomes low in the developed countries as compared to developing countries of Asia and Latin America. On the other hand, the proportion of expenditure on 'housing and housing services' is relatively more, and many a times, it is twice or thrice that of the proportion spent on 'clothing'. Briefly, as the income of the families increases, the consumer expenditure on 'food' declines and that on 'housing and housing services' increases—whereas the proportion of 'clothing' remains almost static. It thus follows that an increase in the proportion of the consumer expenditure on 'housing and housing services' is an affirmative and a positive and perspective indicator of progress.

To develop the indicators of housing levels of living, various conferences and working groups of the U.N. Economic Commission for Europe and the Statistical Office of the United Nations thrashed out in three groups of indicators which jointly determine the housing levels of living : (1) *four basic*⁹

⁸ In the language of Cobb-Douglas Function, perhaps the supply elasticities of labour and capital are expressed as follows:

(A) Manufacturing	Sector:	$P = a L^x K^{1-x}$	$= a L^{0.75} K^{0.25}$
(B) Agricultural	"	" "	$= a L^{0.5} K^{0.5}$
(C) Housing & Building	"	" "	$= a L^{0.3} K^{0.7}$
(D) Construction	"	" "	$= a L^{0.25} K^{0.75}$
(other than Buildings)	"	" "	
(E) Housing Services	"	" "	$= a L^{0.1} K^{0.9}$
(by finished houses)	"	" "	

⁹ B1, is per cent of population living in conventional dwellings; B2, means per cent of occupied dwellings with three or more persons per room; B3, means per cent of occupied dwellings with piped water inside dwelling or outside dwelling but with 100 metres; and B4, means per cent of houses served with toilets.

indicators; (2) five supplementary¹⁰ indicators; and (3) thirteen subsidiary indicators¹¹ complex.

Annexure IV gives the information available through the Housing Census or Housing Surveys either around 1961 or 1971 in various ESCAP Region Countries in respect of the potentials for building 'housing levels of living' in conformity with the indicators developed by the UN System. Also, it is relevant to mention that the UN Statistical Year Book—1973 and the UN Housing Statistics Compendium—1973 also give information on these indicators in respect of a large number of member countries.

The above indicators were thrashed out about 15 years ago and their application in all cases must not have stood the test of time. In the light of experience it is, therefore, logical that some more analytical work should be mounted to assess the objective dynamics of housing levels of living—in particular, in relation to the supplementary indicator S_5 , i.e., "Index of dwelling construction in relation to the estimated requirements". This index is dependent on the correct assessment of the requirements say, for a period

of five years, ten years or, say, twenty-five years in the light of new requirements, elimination of the backlog of shortages, depreciation and obsolescence, vacancy ratio and the changes in the level of demand for qualitative house, following rise in income levels. In relation to this demand, the net supply of housing during the specific period is to be related, in order to obtain 'index of dwelling construction', to the estimated net requirements (i.e. S_5).

The rate of residential building activity is also expressed quite often in the United Nations statistical documents as a number of new dwellings produced in relation to 1,000 population in a year. Quite a number of member nations of the United Nations also use this 'measure' to describe a state of ex-post activity and use it in relation to fixing the target rate per annum in relation to 1,000 population a year.¹² It appears that this particular indicator does not offer a potential of a useful indicator since there are inherent fallacies in it, in any analytical framework of any discipline, there can never be a finality and the door remains open for introducing meaningful refinements, on the assumption that even the new refinements

¹⁰ S_1 connotes per cent of the population living in housing units classified as 'rustic', or improvised, and not intended for habitation, or without shelter of any kind; S_2 connotes average number of persons per room; S_3 connotes percent of occupied dwellings with flush toilets (urban); S_4 connotes per cent of occupied dwellings with toilets other than flush; and S_5 connotes index of dwelling construction in relation to the estimated requirements.

¹¹ Thirteen subsidiary indicators are: (i) cooking facilities; (ii) bathing facilities; (iii) electricity; (iv) type of buildings; (v) year of construction; (vi) material of wall; (vii) material of roof; (viii) material of floor; (ix) state of repair; (x) floor space; (xi) out-door space; (xii) rent; and (xiii) ownership.

¹² See Table 2.03 (column 19), pp. 753-779 of the 1972—*United Nations Statistical Year Book, 1972*. The rates per thousand of population for different countries range from 0.7 dwelling units in Algeria to 28.5 dwelling units in French Guiana. Countries having a rate about 10 dwelling units (or more) perceived are: Israel and Ryuku Islands (14.6), Japan (14.3); Republic of Korea (11.4), Mongolia (9.1), Singapore (8.5), Iceland (8.4), Isle of Man (10.2), Monaco (20.6), Netherlands (9.0), Norway (9.4), Spain (9.0), Sweden (13.6), Switzerland (10.4), American Samoa (8.9), Australia (11.3), New Zealand (10.0), USSR (12.1). Whereas developing countries largely have a rate around 2 to 3 units or lower; countries less than '2' units are: Algeria (0.7), Egypt (1.7), St. Helena (1.8), Tunisia (1.2), Dominican Republic (0.6-0.9), Grenada (0.641), Colombia (1.0-1.2), Iraq (2.0), Sri Lanka (1.5), Christmas Island (1.0), Papua-New Guinea (0.1), Western Samoa (1.7).

can be given up following better knowledge, in future, of the dynamics of social and economic variables. Based on this belief, some modest suggestions are made in what follows.

Use of Households as Denominator in Place of Population for Measuring Index of Dwelling Construction

The dwellings function as shelters and as preservers of privacy from strangers outside as well as from the kith and kin within the dwellings, by providing separate rooms, if feasible economically, under the force of custom and social mores. Maintenance of separateness as well as togetherness, by the members of the household(s) in the residence is the twin-function of the dwelling(s). In addition, as a recluse for rest and relaxation and for playing with the basic emotions, passions and sentiments of love, affection, piety, fondling, etc., the home is perhaps the ideal sprouter of humanism and citizenship. Further, it would not be wrong to say that dwellings are factories where freshness is manufactured and simultaneously injected to habitants through an incessant process, so that the working force marches, every morning, fresh for work to the fields and factories, children go to the schools and housewives to attend to the daily chores of the household.

The upshot is that the houses are to satisfy the needs of households. The households may be one-person households, non-family

multi-person households, or family households (either one-family or two-family or multi-family households). One of the indicators used to determine the rate of building activity is the number of indicators used to determine the rate of building activity is the number of dwellings constructed in a year per thousand of population. The use of population as a denominator of the new dwelling units generated in a year, conveys rather a half-truth, which is neither fully purposeful nor meaningful. The social and biological needs make it imperative that each household should have a dwelling; and it is not denying that the size of the dwelling and the number of rooms required should functionally depend on the size and composition of the household. Essentially, therefore, the total number of households should form the denominator of new dwelling units produced in a year (i.e., the number of dwelling units produced per 1,000 or 100 households) in place of population. The emerging coefficient, it is stressed, would better portray the intensity of residential building activity.

Normally no single person as a constituent of a household would basically need a separate dwelling, but assuredly a one-person household would need a dwelling. There are countries where one-person households form about one-fifth of the total households,¹³ while there are others (with stable societies) where the proportion of such households is in the low range of 5-10 per cent.¹⁴ It is also observed that countries with larger proportions of one-person households also have larger proportions of non-family

¹³ This proportion of household structures is found in the Caribbean Region and also in countries where the ratio of women to men is inordinately high, over 1.2, and even up to 1.4 in some cases.

¹⁴ In the UK, 5 per cent of dwellings in any housing estate are one-bed sitting units, another 5 per cent are 1-bedroom (or 2-room) units, 20 per cent are 2-bedroom (or 3-room) units, 63 per cent are 3-bedroom (with 4-room or 5-room) units, and 7 per cent are 4-bedroom (or 6-room) units. These perhaps are coterminus with the household structures, however, if the household structures change the housing unit structures also have to change.

households at about 10 per cent whereas others have only 5 per cent or even lower.

The distinction involved in respect of using population or households as denominator can be better explained by an illustration. Suppose there are two countries A and B and each of them has an identical population of 1,000 persons. Country A has 200 one-person households and 100 one-person households and 50 non-family households, holding 150 persons. The remaining 500 persons in country A constitute say 100 family households with an average size of 5 persons per household and in country B the remaining 750 persons form 150 family households with an average size of 5 persons. In sum, in country A, 1,000 persons are held by 400 households and in country B by only 300 households; the former country needs 400 dwelling units and the latter only 300 for the same size of population.

If 10 dwelling are constructed in each country in the base year, the rate of residential building activity per 1,000 population would be the same in both the countries; and often it could be easily constructed that this rate 'ceteris-paribus' exhibits both the countries at par in regard to supply of housing needs (and, therefore, housing standards) if reliance is put on numerical generation or residential units per 1,000 population. However, the

factual situation is far from what is conveyed by the indicator ¹⁵.

On the contrary, if 10 dwellings constructed are expressed as numerator and total households as denominator—since households are the real crux of the housing problem the rate of dwelling constructed per 100 households in country A would be 2.5 dwelling units, whereas in B, it would be 3.3 units per 100 households; and the respective rates for A and B would be 25 and 33 dwelling per 100 households. Doubtless, the structure of houses, and the number of rooms generated under different rates of construction would be different, but the household's satisfaction in regard to shelter facility would have wide differences. The supply of dwelling units in country A is at a rate lower than the desired rate and also lower than that in country B and this is perhaps a correct portrayal and appraisal without shades of 'mirage-effect'.

This aspect can further be looked into according to the assumption of providing minimum housing standards. What follows from this assumption is that one-person households are provided with one-bed-sitting apartment and non-family households with 1-bedroom (or 2-room) dwelling units and 80 per cent represented by family households with 2-bedroom (or 3-room) dwelling units and 20 per cent of family households with 3-bedroom (or 4-room) dwelling units. From this, it

¹⁵ Ignoring the correlation between the number and sizes of dwellings on the one hand and the sizes of households would bring about an unhappy situation that occurred in the United Kingdom as succinctly lamented by R. K. Kelsell in his book: *Population Aspects of Modern Sociology—The Social Structure of Modern Britain* (Longman, Green & Co. Ltd. London, 1967) as follows: "In Great Britain between 1911 and 1961 households increased by about 80 per cent while population rose only by 26 per cent or so. Between the same dates the main size of households declined from 4.5 to 3.1 persons. . . Yet long after these developments had shown themselves to be part of our population growth pattern, the standard three-bedroom house continued to predominate in new housing; both private and local authority building programmes were at the same time insufficient in amount and unsuitable in unit size for the needs that should have been obvious. It is certainly to be hoped that, in formulating future housing policy, much more account will be taken of the mass of demographic material now available bearing on both present and future numbers and sizes of households in each local authority area."

emerges that in country A, there will be 720 rooms; and in country B, 680 rooms or 1.8 rooms per household in country A and 2.3 rooms in country B, and per person the number of rooms constructed in country A will be 0.72; and 0.68 in country B. The former of the above coefficients of 'rooms in relation to the biological unit of household' is more significant and the latter coefficient of rooms in relation to *population* distorts quite a few meaningful aspects of housing.

Ordinary new demand generated requires a supply of new dwellings equivalent to about 4 per cent of the existing stock of dwellings, *i.e.*, about 2 per cent on account of population or household increase and 2 per cent for the replacements needed to neutralise depreciation and obsolescence. Therefore, in country A, the new demand will be for 16 units (*i.e.*, 4% of 400) and in country B for 12 units (*i.e.* 4% of 300); or four units per 100 households are required to be constructed in country A and only 3 in country B. Whereas by constructing 10 dwelling units in a year per 1,000 of population, inverse rates of residential construction come into operation at 2.5 units per 100 households in country A and 3.3 units in country B (or less in place of more and more in place of less).

In some countries, it can be observed that population either remains static or increases at a lower or declining rate as compared to the growth in the number of households which

increase at a faster rate¹⁶. Other things being equal, absence of (or negligible) increase in population would dictate an inclination towards holding new dwelling construction activity notwithstanding increases in the number of households which create potential demand necessitating an acceleration in the tempo of dwellings construction activity. These demographic dynamics not only call for a new approach as enunciated towards recasting of housing policies and programmes, but also demand evolving new indicators to express the rate of residential building activity so as to graft elements of pragmatism in the optimal flow of available investible funds.

Therefore, it is suggested that the indicator 'number of dwellings per 100 population' be pushed back and in its place (or in conjunction with it) a more meaningful measure, namely, 'number of dwellings per 100 households' be considered for adoption.

For expressing the aforesaid elements in terms of macrodata (of national accounts and population as well as households), it can be assumed as an illustration that the per capita GDP in each of the two countries A and B is US \$ 500. Total GDP in each of the two countries is therefore, US \$ 500,000. It can also be assumed that total gross fixed capital formation is 20 per cent of GDP. As a corollary it would be seen that out of 10 dwelling units generated in each country, there

¹⁶ The 1970 censuses in the Caribbean islands have shown this phenomenon in a conspicuous way. Also with the passage of time, under the influence of education, economic development, dynamics of social and marital status, tax laws, etc., in civilised societies the household sizes have come down—thereby raising growth rates of household faster than the population growths. For example, the household size in the USA came down to 3.3 person in 1960 from 4.9 in 1890; in France, it came down to 3.1 persons in 1962 from 3.7 in 1881 in Germany, it fell to 2.9 persons in 1960 from 4.63 in 1871. In case of a larger number of developing countries, because of demand needs going far ahead of supply, the housing shortages have developed, of late, resultantly, there has been some doubling of households—particularly in case of low income households, and apparently there has been an increase in the average size of households, for example, the average size increased, in case of Algeria, Congo, Mauritius, Morocco, Costa Rica, Mexico, Nicaragua, Argentina, Paraguay, the Philippines, Sri Lanka etc. (see *United Nations Statistical Year Book*, 1972).

would be 2 (one each of 280 sq. ft.) one-bed sitting apartment, 1-one-bedroom (or 2-room dwelling unit of 380 sq. ft. and 7 two-bedroom (or 3-room) dwelling units of 500 sq. ft. each in country A. Whereas in country B, there would be 1 one-bed-sitting and 1 one-bedroom (or 2-room) dwelling unit with an area of 280 sq. ft. and 380 sq. ft. respectively and 8 two-bedroom (or 3-room) dwellings of 500 sq. ft. each.

Assuming that the cost of construction per sq. ft. is US \$ 10 in both countries—the residential investment would be US \$ 3,800 for one-bedroom (or 2-room) dwelling unit, and ¹⁷ US \$ 35,000 for seven two-bedrooms (or 3-room) dwelling units. In country B, the investment would be US \$ 46,600: US \$ 2,800 for one one-bed-sitting apartment, US \$ 3,800 for one one-bedroom (or 2-room) dwelling unit, and US \$ 40,000 for eight two-

be-droom (or 3-room) dwelling units. The number of rooms constructed per dwelling in country A would be 2.5; and in country B 2.7 rooms representing a product mix of 10 dwellings in each country. The Table below depicts the relevant statistical picture of countries A and B.

The estimates given in table signify that in country A, the gross fixed residential investment would be 8.85 per cent of GDP and 44.4 per cent of the total gross fixed capital formation would go into the construction of 10 dwelling units, and in country B, the gross fixed residential investment would be 9.36 per cent of GDP and 46.6 per cent total capital formation. Thus the resultant of global parameters show differential changes in respect of the proportions of GDP and total fixed capital formation going into the residential investment arising out of different

Table 1

	Country A	Country B
1. Population	1,000	1,000
2. Gross Domestic Product	\$5,00,000	\$5,00,000
3. Per Capita GDP	\$500	\$500
4. Gross Residential Capital Formation	\$44,400	\$1,00,000
5. Gross Fixed Capital Formation	\$1,00,000	\$46,600
6. (5) as percentage of (2)	8.85%	9.36%
7. (5) as percentage of (4)	44.4%	46.6%
8. Investment per household (by time-lag)	\$1,110	\$ 1,553
9. Investment per person (by time-lag)	\$44.4	\$46.6
10. Investment per room (excluding services and land cost)	1,776	\$1,726
11. No. of dwellings per 100 households	2.5	3.3
12. No. of rooms per dwelling	2.5	2.7
13. Rooms per person	0.72	0.68

¹⁷ The higher the proportion of one-person and non-family households, the larger would be the investment in kitchens and bathrooms with attendant investments in consumer durables, such as, gasstoves, sinks, refrigerators, air-conditions, radios, television sets, living room equipment, etc. The attendant investments would have varying multiplier effects on induced investment, employment and national income generation in the two countries.

patterns of households in the two countries contra-distinguished to what could be in case of population being used as the denominator. Hence it follows that the number of households, forms more significant denominator as an indicative measure of residential building activity. It also appears that the proportions of GDP or total gross fixed capital formulation entering the residential fixed investment are not as distinct and bold measures of residential building activity as the one presented here for consideration; the former ones because of changes in their real values germane to price variations and creeping inflationary trends.

In countries where the average size of the households is shrinking, new dwelling needs/demand will appreciably be higher than in countries where the average household size is either static or inclining upward. For example, suppose in country X with 1,000 population, in the next 10-year period population expands by 20 per cent and average household size shrinks from '5' persons to '4' persons¹⁸, the total number of households (and demand for dwellings) would increase from 200 to 300—registering an increase by 50 per cent in a decade with an average annual rate of 5 per cent. In another country Y—having the same population and population growth, but no decline in average household size, the households (and dwellings required) will be 240—with an increase of 20 per cent. So also, in a third country Z—

having same population and growth, but in an incline in the average size of household to '5.5'¹⁹ the households (and dwellings need) will be of 218—indicating an increase of 9 per cent.

In the above three examples, the new demand/need shows increases respectively by 50 per cent, 20 per cent, and 9 per cent; superimposing the replacement demand of 20 per cent a decade on the original housing stock of 200 dwelling units, the total needs will be of 140 units, in country X; 80 units in country; and 58 units in country Z—indicating a house-building activity of—11.66 units²⁰ per 1,000 population per annum in country X; 6.6 units²¹ in country Y; and units²² in country Z.

Thus the essential prescription given by the U.N. forums, of constructing a minimum of 10 dwelling units per annum per 1,000 persons, for developing countries is far from reality. Again, the countries which have a rate of 10 units or more per thousand of population per annum are not necessarily always improving their housing levels of living; and even there, unsatisfied needs for housing will prevail and slums and squatter settlements might as well develop. In the developing countries, the real malady is not the static or increasing average size of households—it is only a reflection of the low rate of housing supply which results in overcrowding and doubling of families in a limited supply of housing units.

¹⁸ A situation in operation in developed countries.

¹⁹ A phenomenon of static or increasing size of households in developing countries or low-income countries, such as Morocco from 4.8 persons in 1960 to 5.4 persons in 1971; in Guadelope, from 4.18 in 1961 to 4.4 in 1967; in Guatemala; from 5.1 in 1949 to 5.3 in 1964; in Mexico, from 5.65 in 1971; in the Philippines, from 5.8 in 1960 to 6.1 in Turkey, from 5.7 in 1965 to 5.9 in 1970 (See *U.N. Statistical Year Book*, 1972).

²⁰ A rate in vogue in New Zealand, Sweden, U.S.S.R., etc.

²¹ A range mostly in all the Western European countries, U.S.A., Canada, etc.

²² The low rate around 1-3 units prevalent in the developing and low-income countries—largely of Asia.

INDICATORS OF URBAN DEVELOPMENT

Cities generally, as compared to rural areas, have a higher rate of literacy and educational attainments and technical pool of manpower, and also capital intensive infrastructure—in terms of roads, drainage and disposal system, water-supply network electricity and/or gas supply, transport system, etc. Because of anonymous culture, open-door for flow of culture and knowledge, inclination to modify conventional institutionalisation. 'Urbanism' provides a modicum of fertile ground for egalitarianism because of a larger mass of middle class families and elites in spite of the simultaneous growth of slum and squatter settlements. Urbanization also germinates characteristic industrial culture which encourages division of labour and draws the migrant labour to form trade unionism and politicization and group pressures on the political power groups. Thus, in sum, it appears that urbanization fosters changes/transformations in social set-up and value systems—which in any case enhance occupational mobility, new and enterprising business class.

According to U.N. estimates, out of about 4000 millions of world population, nearly 1600 millions (40 percent) live in urban areas (as defined under country censuses). However, in India, only about 20 per cent of the people live in urban areas—as compared to 30 per cent in China and 58 per cent in Japan. The degree and extent of urbanization in India corresponds to the proportions in Indonesia, Thailand and Burma.

According to UN delincation, the towns with 20,000 or more population have been

regarded as the proper index of urbanization and therefore this approach has been adopted to develop international comparison for the degree or extent of urbanization. This basis has been adopted by U.S. Urban Land Institute in classifying the countries about urban characteristics. A study²³ by Stanford University attempted to list some elements to determine the ranking of the towns/cities; some variables used are: (i) importance and proportion of indigenous middle class manpower; (ii) extent of social mobility and its correlation; (iii) extent of literacy; (iv) media of mass communication; (v) degree of cultural and ethnic homogeneity; (vi) degree of social tension, (vii) crude fertility rate; (viii) degree of modernization of outlook; (ix) predominant type of religion; (x) level of socio-economic development. (Stanford study's coverage includes data of 74 underdeveloped countries in respect of 50 characteristics; the data are primarily of ordinal character. Under the group of socio-cultural indicators applicable to areas other than urban areas besides the above ten 'measures'—three more indicators listed are. (a) size of the traditional agricultural sector; (b) extent of dualism; (c) extent of urbanisation.

It is not easy to accept in a major way the approach of the above study for various reasons which need not be discussed in this paper and an attempt is made in what follows to list some crucial social indicators for urban development.

For urban areas/centres, it is not smooth to estimate annual income (call it, national income) however, it is not beyond the bounds of possibilities in the system of social accounting. What is, therefore, important is to get some degree of precise information in a

²³ Irma Adelman and Cynthia Taft Morris, *Economic Growth and Social Equity in Developing Countries* (1973).

growing urban system of progress on income for *three* sectors of economic activity in the urban areas (or a total of urban centres); (i) primary (ii) secondary; and (iii) tertiary or service. A *decline* in the proportion of national income and employment in *primary* sector, a *rise* in proportions of *secondary* sector both in income and employment and a relatively *larger increase* in the *tertiary* sector will convey a positive movement/progress in urban development and any movement from this dynamic path will indicate a negative movement/progress in urban development. This type of indicator has been characteristic over decades in the economic history of the nations moved up towards economic and social progress. Underlying factor is that both in developed and developing countries the marginal average income of the worker in the primary sector is often lower than that in the secondary sector and that of the latter, lower than that in the tertiary sector.

The income usually emerges by the interaction of labour and capital (land—and land or natural resources—may be termed as 'potential capital'). Capital can be visible, such as physical capital goods like roads, bridges, building, dams, canals, etc., as also the underground services—such as of developed land and supply lines, water, gas, oil, electricity, etc., as also the plants and machines in the manufacturing and commercial establishments; and the invisible capital injected in the labour force through education, training and experience—which is like a sub-merged ice berg to the extent of nine-tenths of its volume. Urban areas, as compared to rural areas, abundantly have more physical infrastructure capital formation, as well as a sizably higher inputs of invisible human capital. It should be possible to estimate the *per capita* active population, net capital stock

divided into (i) physical capital stock; and (ii) capital stock in active population. Also it should be possible to estimate the current year per capita capital formation in (i) physical capital stock (ii) and current capital formation in the human beings. Yearwise indices for both the indicators can be prepared for comparison over time and also over space between different cities/towns. In general, the infrastructure physical capital stock and capital formation is around 60-65 per cent of the total physical capital formations. It is also not wrong to say that the pool of skill and risk-taking entrepreneur, intellectual forbearers, research libraries, etc., abound in big cities.

In and around the urban centres/areas, the key factor is the developed land; as the population in such centres increases by natural growth and waves of migrations, the demand for developed land increases for dwellings and other building structures, and for open lands for roads, bridges, paths, playground. Such demand pressures increase the market price of land—making it obligatory to move vertically and also horizontally beyond the municipal limits to escape local taxes—though in any case burdening the government authorities to provide arteries and flow of essential and community services. Willy-nilly all these involve injection of fixed investments. The demands for such fixed investment often grow with neighbouring volcanoes of slums and squatter settlements within and on the fringes of growing towns and cities to—these volcanoes erupt with political frustration and political burstings and boostings. In almost all the developed countries and so also in the Asian, African and Latin American countries the new slums and squatter settlements that emerge, every year, form about 20-30 percent of new dwellings constructions every year. As they

grow in size, the government will and public demand become vocal—but both find themselves helpless in the absence of the financial resources. On the eve of periodical elections the fury of will and demand is satisfied—but it cools down in the post-election period (s). The capital formations raise their heads suddenly ceremoniously and go underground unceremoniously ex-ante and ex-post. The direct and indirect consequences are the oscillating fluctuations in investment and employment in an agonizing fashion which multiply and accelerate along the well-known phenomena of Multiplier/Accelerator. Therefore, the degree of success and failure in regulating the timely flow of investments in land, dwellings and other infrastructures as the *needs* develop—without waiting for the demand to grow (as it will not grow sizably) is a meaningful indicator in the economic opportunities and social ethos for the families, labour, investment and service industries and the exchequer(s) at the central, state and local levels.

The proportion of the urban land area owned by the public and private sector is a good index of the effective role that the government can play in controlling or regulating the prices of land lots. If the major proportion is held by the public authority (ies), they can sell or purchase land according to the rise or fall in the price of urban land and curb successfully the land speculation and help in dampening the cost constraints of the lower income groups in owning the land for building dwellings. This would help in establishing a high welfare function for the maximum or larger proportion of the urban population because both for housing and urban land usually the supply elasticity is 1.2 or higher—whereas the demand elasticity of income

for these two items is 2+.

Generally, the fiscal systems of the metropolitan and other urban governments suffer through fiscal inequity in India as perhaps also elsewhere. They have highly inelastic and limited sources of revenue whereas the allocation for expenditure are larger, but they cannot be met. Generally most vocal people secure the benefits of governmental expenditure and the rich ones escape the revenue contributions—thus injecting highly inflexible situation and inequity to the poor sections of the population spatially and over time. Therefore, an indicator of 'fiscal equity' is called for.

CONCLUSION

In brief, social indicators, by and large, are not fully amenable to rigorous statistical techniques; yet they have the potentialities to be quantified. What is needed is to develop social indicators in general or in the housing or urban development and follow the inference drawn through the research efforts emanated by the UN Research Institute for Social Development, wherein the corresponding system associated with transformation through logarithm and exponential mathematical treatment can be built for the emergence of more meaningful indicators which may be clearer and better understood.

In regard to indicators of housing level developed by various UN forums and family organisations are good by themselves and they have lived about 15-20 years. Wider experience and coverage of housing studies of each cultures and social institutions is now necessary to reorient these indicators, as suggested earlier.

A few attempts have been made to develop social indicators for urban development. Perhaps quite many basic characteristics of the urban and so also housing development have not been fully understood, particularly in respect of the sizable investment made in the infrastructure and also with regard to the consequences of the investment fixed

assets which are prone to operate more in volatile fashion. Sometimes it tends to break the very structure of the economic and social system unless they are properly regulated and controlled. Some suggestions have, therefore, been made based on the fundamental characteristics of these two areas, that is, housing and urban development.

Annexure I

AVERAGE CORRELATION OF EACH CORE INDICATOR WITH ALL OTHER CORE INDICATORS ; ADJUSTED DATA, 1960

<i>No.</i>	<i>Indicator</i>	<i>Average correlation</i>	<i>Average correlation after trans- formation</i>
1.	Expectation life at birth	0.744	0.843
2.	Population in localities of 20,000 as percentage of total population	0.730	0.807
3.	Consumption of animal protein, per capita, per day	0.791	0.834
4.	Combined primary and secondary enrolment as percentage of age group 5-19	0.777	0.848
5.	Vocational enrolment as percentage of age group 15-19	0.788	0.837
6.	Average number of persons per room	0.783	0.836
7.	Newspaper (daily, general interest) circulation per 1,000 population	0.823	0.881
8.	Telephones per 100,000 population	0.762	0.902
9.	Radio receivers per 1,000 population	0.737	0.807
10.	Percentage of economically active population in electricity, gas, water, sanitary services, transport, storage and communications (ISCO U. S. Division 5.7)	0.769	0.814
11.	Agricultural production per male agricultural worker (ISIC division 0), in 1960 U. S. dollars	0.839	0.893
12.	Adult male labour in agriculture as percentage of total male labour (ISCO division 0)	0.809	0.869
13.	Electricity consumption, kilowatt per capita	0.687	0.890
14.	Steel consumption, kilogram per capita	0.765	0.862
15.	Energy consumption, kilogram of coal equivalent per capita	0.760	0.877
16.	GDP derived from manufacturing as percent of total GDP (ISIC divisions 2-3)	0.752	0.807
17.	Foreign trade (sum of imports and exports) per capita in 1960 U. S. dollars	0.737	0.818
18.	Salaried personnel and wage-earners as percentage of total economically active population	0.750	0.827

Annexure II

DEVELOPMENT INDEX AND PER CAPITA GNP, 1960.

<i>No.</i>	<i>Country</i>	<i>Deve- lopment Index</i>	<i>Per Ca- pita GNP 1959/61</i>	<i>No.</i>	<i>Country</i>	<i>Deve- lopment Index</i>	<i>Per Ca- pita GNP 1959/61</i>
1.	United Kingdom	104	1369	26.	China (Taiwan)	46	149
2.	Canada	103	2092	27.	Colombia	46	253
3.	New Zealand	103	1515	28.	Jamaica	45	396
4.	Sweden	103	1696	29.	Brazil	38	267
5.	Australia	98	1542	30.	Peru	37	198
6.	Norway	98	1274	31.	United Arab Republics	34	158
7.	Belgium	96	1247	32.	El Salvador	32	231
8.	Netherlands	96	965	33.	Jordan	32	196
9.	Switzerland	96	1591	34.	Nicaragua	32	238
10.	Denmark	95	1300	35.	Ecuador	31	202
11.	Germany, Fed. Rep. of	94	1327	36.	Dominican Republic	30	228 *
12.	France	88	1303	37.	Libya	29	293
13.	Austria	86	867	38.	Paraguay	29	160
14.	Finland	85	1085	39.	Turkey	27	202
15.	Ireland	74	653	40.	Iran	26	210
16.	Japan	74	463	41.	Morocco	26	154
17.	Argentina	73	551	42.	Korea, Rep. of (South)	25	149
18.	Italy	71	684	43.	Philippines	24	206
19.	Venezuela	63	958	44.	Honduras	23	209
20.	Chile	61	604	45.	Guatemala	21	269
21.	Spain	58	344	46.	Ceylon	18	139
22.	Greece	52	432	47.	Ghana	16	195
23.	Portugal	52	300				
24.	Costa Rica.	50	352				
25.	Panama	48	385				

Annexure III

PROPORTIONS OF PRIVATE CONSUMPTION EXPENDITURE ON VARIOUS CONSUMER ITEMS IN CERTAIN ESCAP AND ECLA COUNTRIES AND DEVELOPED COUNTRIES

<i>Country</i>	<i>Percentage spent on food, tobacco and beverages</i>	<i>Percentage spent on rent, water, fuel, light and household services</i>	<i>Percentage spent on cloth- ing and per- sonal effects (including footwear)</i>	<i>Column (3) as a multiple of column (4).</i>
(1)	(2)	(3)	(4)	(5)
ESCAP REGION				
1. Ceylon	62	19	9	2.11
2. China (Taiwan)	57	15	7	2.14
3. Japan	46	18	8	2.25
4. Korea, Republic of	57	17	12	1.45
5. Thailand	55	16	7	2.28
ECLA REGION				
1. British Guiana	47	21	12	1.75
2. Dominican Republic	52	28	5	5.60
3. Ecuador	53	18	14	1.30
4. Honduras	57	18	13	1.40
5. Jamaica	45	18	12	1.50
6. Panama	45	25	13	1.92
7. Peru	47	28	8	3.50
8. Puerto Rico	36	21	10	2.10
9. Trinidad & Tobago	47	17	10	1.70
DEVELOPED COUNTRIES				
1. Australia	35	20	12	1.67
2. Austria	47	18	13	1.47
3. Belgium	35	30	10	3.00
4. Denmark	35	21	10	2.10
5. Finland	47	19	14	1.26
6. France	41	20	12	1.67
7. Netherlands	38	27	16	1.82
8. Norway	36	23	16	1.44
9. South Africa	40	20	15	1.33
10. Sweden	37	24	13	1.85
11. United Kingdom	43	23	11	2.10
12. United States	27	28	9	3.11

Annexure IV

INFORMATION AVAILABLE FOR STATISTICAL INDICATORS OF HOUSING CONDITIONS FROM RECENT HOUSING CENSUSES CARRIED OUT IN SOME COUNTRIES OF ECAFE REGION

Indicators Country	Basic indicators	Remarks	Supplementary Indicators	Remarks
	B-1, B-2, B-3, B-4		S-1, S-2, S-3, S-4	
Brunei, North Borneo and Sarawak	x x x x	All the items of the 'basic' and one item of 'additional' list of the <i>General Principles</i> were covered under census conducted in 1960.	x x x x	Census conducted in 1960
Cambodia	x x	Information collected in 1962 covered only one item each of the lists of 'basic' and 'additional' items of the <i>General Principles</i>		Information collected in 1962
Ceylon	x x x x	From 1953 Census information only one indicator, namely, B-2 is available; but from 1963 Census information for indicators B-1 through B-4 would be available.	x x x	From 1953 Census no information is available about supplementary indicators; but from 1963 Census information for indicators S-1 through S-4 would be available.
Hong Kong	x	Collected as a part of 1961 Population Census (for boat population in February 1961 and land population in March 1961)	x	

Indicators/ Country	Basic indicators				Remarks	Supplementary indicators				Remarks
	B-1, B-2, B-3, B-4					S-1, S-2, S-3, S-4				
India	x	x	x	x	Information collected through 'House-listing' schedule six to nine months before 1961 Population Census.	x	x	x	x	
Indonesia	x	x			Information collected few months in advance of October 1961 Population Census. Information for B-1 and B-2 is available only partially.	x	x			
Iran	x				Information sought in November 1961 National Census.	x				Information sought in November 1961, National Census.
Korea, Republic of	x	x	x	x	Information is available on number of facets of housing conditions besides the basic indicators.	x	x	x	x	Information is available on a number of facets of housing conditions besides the supplementary indicators (though not on S-5)
Nepal	x	x	x	x		x	x			
Pakistan		x	x			x	x			
Philippines	x			x		x	x	x		

Importance of Social Indicators in a Scheme of Programme Budgeting

A budget can be many things depending upon its structure and the uses to which it is put. According to Aaron Wildavsky, a budget may service diverse purposes and can be :

“a political act, a plan of work, a prediction, a source of enlightenment, a means of obfuscation, a mechanism of control, an escape from restrictions, a means to action, a brake on progress, even a prayer that the powers that be will deal gently with the best aspirations of fallible men.”¹

Different types of budget classifications have been evolved to serve diverse purposes, such as object or line-item classification, economic classification, functional and programme classification. No single budget classification has been found to serve equally well all the purposes, like control over inputs, depicting well the state of the economy, and providing an effective tool for the planning and management of government programmes and activities. The choice of a system of classification in the budget, therefore, has to be related to the purpose which is sought to be emphasized. As stated in the United Nations document :

“The various ways in which the public sector transactions can be classified are; by object, by organization, by function, by their economic character, by programmes

and by the types and origin of the purchases effected by a government. It is obvious that no single system of classification will serve all the purposes of planning and budgeting. The choice of a system of classification would have to be related to the relevant purpose.”²

The concepts of performance and programme budgeting are considered to lay greater emphasis on economy and efficiency aspects of programme planning and management. A functional classification of the budget is necessary under a system of performance and programme budgeting. By functional classification it is meant that the budget presentation of public expenditures will be in terms of functions, programmes, activities and projects.

A function is generally a broad division of the total organized effort of Government. Thus, each of the following: education, public health, national defence, agriculture, may be defined as a function. A programme comprises a significant sub-division of the function. Accordingly, elementary education, secondary education, vocational and technical education, higher education, could be programmes under the function named education. An activity under each programme could be composed of the number of classes or

¹Aaron Wildavsky, *The Politics of the Budgetary Process* (Boston: Little, Brown and Company, 1964), p. V.

²United Nations, *Government Budgeting and Economic Planning in Developing Countries* (New York, U.N. Publication, 1966), p. 11.

students taught. A project generally covers expenditure on buildings, construction, and equipment. The United Nations Manual for Programme and Performance Budgeting has defined these terms as follows:

“The classification structure for a programme and performance budget involves the identification of: (a) functions—broad groupings of operations that are directed toward accomplishing a major purpose of government; (b) programmes—broad categories within a function that identify the end products of major organizations; and (c) activities—segments of a programme that identify homogeneous types of work carried out by subsidiary organizations to produce the end products of a programme.”³

THE CONCEPTS

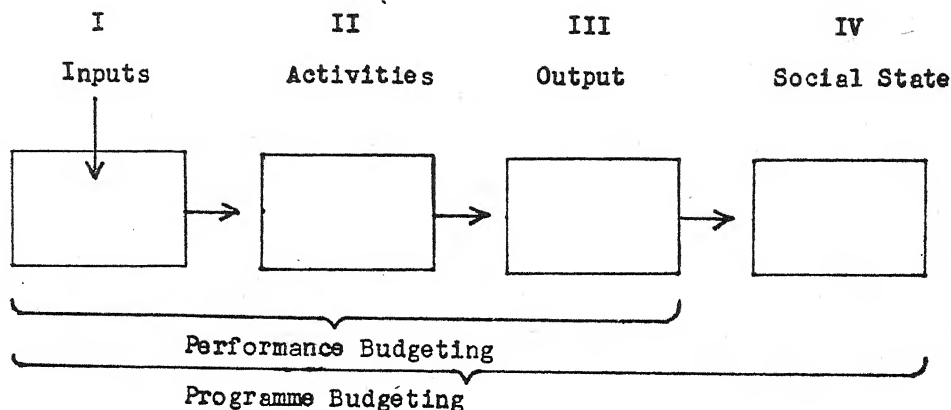
Under performance budgeting, a budget is considered to be a work programme and a tool of management. Programme budgeting treats budgeting as an allocative process among competing claims and considers budget as a statement of policy. In short, the main focus in performance budgeting is on activity analysis and in programme budgeting on output analysis. The diagram on the next page has been used to clarify the concepts.

Vector I stands for the inputs used which result in activities represented by Vector II. These activities produce output denoted by Vector III. Performance budgeting comprises these three components, namely, Inputs—Activities—Output. Activities are the intermediate step to provide the implementing link between inputs and outputs. Taking the example of an educational institution,

inputs would comprise the hired teachers, supervisory personnel, buildings and equipment installed, materials and supplies purchased, etc. These inputs should result in activities, like the number of students taught, and the number of hours of instruction imparted. The output of these activities should be the immediate result assessed from the number of students who actually passed out duly qualified. Vector IV in the diagram denotes social state which in the present example should mean how useful the imparting of education has been in the students' acquiring the socially desired knowledge and personality as reflected in the community values. Social state represents the ultimate end objective for which the three preceding stages of inputs-activities-output are gone through. Programme budgeting comprises all four vectors, namely, inputs-activities-output-social state.

An examination of input-output relations is involved in both the concepts adopted for performance budgeting and programme budgeting. However, performance budgeting has the limited objective of measuring the direct output resulting from the activities performed and the inputs used, while programme budgeting goes a step further by embodying a broader objective of measuring the social state resulting from the output produced. Assessment of social impact, of course, includes measurement of the various externalities associated with the output. A scheme of programme budgeting should involve encompassing all the costs and benefits (primary, secondary, tertiary, and so on) of activities to determine the social state resulting from the impact of the activities. Under a system of programme budgeting, therefore, the input-output relationship will have to be

³United Nations, Department of Economic and Social Affairs, *A Manual for Programme and Performance Budgeting* (New York, U.N. Publication, 1965), p. 5.



established in the context of social costs and benefits of the activities.

and evaluation by management of the progress of work operations.

THE PROBLEM OF MEASUREMENT

The systems of performance and programme budgeting help in bridging the gap between planning and operating decisions. They involve fixing of targets for achievement which is followed by the measurement of progress made in relation to the targets set. Input-output ratios are sought to be calculated with the aim of achieving the best possible results.

However, in a scheme of performance budgeting, the efficiency of operations is determined by relating the direct cost of inputs to the directly resulting activities or outputs. The aim is to achieve the given output at the least possible cost or to maximise output for a given cost. The state of efficiency is judged by the amount of output obtained per unit of input-resources. The cost-efficiency efforts necessitate fixing of meaningful norms and standards for the measurement and evaluation of performance. Such pre-determined performance indicators facilitate control

Whereas quantification of performance in areas like policy-making, research, diplomacy, etc., involves difficult problems, performance oriented indicators can be developed with greater facility in many other areas and for various sectors of the national economy. It may indicate the state of efficiency to know the number of gallons of water supplied by the concerned agency as related to the cost of operation. The number of miles of roads constructed as related to the cost of construction, teacher-student ratio in a school, hospital beds utilization rate, etc., may be some other performance indicators. It may, however, be a difficult situation if indicators are sought to be developed for administrative performance in respect of activities like coordination, control, etc. However, the quantification of indicators of performance is the key stone on which a management information system can be built for monitoring and evaluation of operating results. The analysis can be centred around input-output ratios as indicators of efficiency. This task presents less problems if focused on

measurement of direct inputs or their directly resulting outputs without taking account of the associated externalities. Such is the case under a system of performance budgeting as defined in the preceding paragraphs.

But the situation presents formidable difficulties when input-output relationship is worked out within the framework of programme budgeting. Under this system, it is not only the direct costs of inputs and the directly resulting outputs which need to be measured, rather the various associated inputs or costs and outputs or benefits are also required to be measured. This is generally done with the aid of the technique of social cost-benefit analysis the use of which poses many other problems.

PROGRAMME BUDGETING AND THE IMPORTANCE OF SOCIAL INDICATORS

Programme budgeting, by employing the technique of social cost-benefit analysis provides the decision maker with the necessary information for a systematic comparison of the costs and benefits of alternative approaches to the achievement of policy objectives. The costs here include the whole stream of costs, *i.e.*, primary, secondary, tertiary, etc. Similarly, on the other side, the primary, secondary, tertiary, etc., benefits need to be considered for comparison with the total costs occurring in the society. In other words, the social state resulting from the impact of the stream of costs involving various activities or outputs, needs to be measured and compared with the corresponding social costs (*i.e.*, the whole stream of costs). Measurement of social state, however, is difficult to be done unless we have evolved the necessary social indicators for the purpose. For instance, if it is to be done for the function of education, we must have available with us social indicators to tell us

as to how useful the imparting of education has been in the students' acquiring the socially desired knowledge and personality as against the social costs incurred on their education. Taking the example of urban development, for carrying out impact analysis or measuring social state, aesthetic and environmental considerations may be as important as measureable effects on neighbourhood land values. Such a situation further highlights the importance of evolving social indicators for the measurement of social benefits to aid formulation of public policy.

Cost-benefit analysis may be quite misleading if the emphasis is placed on measureable outcomes to the neglect of the non-measureables. It is likely that in an impact analysis of benefits the non-measureable ones or the intangibles form the bulk. It becomes fraught with serious difficulties if an attempt is made to get at a picture for comparison by attaching monetary values to intangibles. At the same time, it distorts the comparison if only those benefits and costs are emphasized which are susceptible to measurement rather than those that are not. In order to make an assessment of the impact of output on social state a broad view needs to be taken of the effects of activities so as to comprehend the full range of externalities of both quantifiable and non-quantifiable nature.

There are also situations where the outputs of specific activities get mixed up with those caused by various other factors. The improvements in health, in addition to being caused by specific measures of medical care and health delivery services, may be the results of improved environment, better education, higher incomes, and enlarged economic opportunities in the community.

It is difficult to disentangle the effects of a specific health programme from the effects of many other factors influencing the health of people. The inter-relationships among the effects of programmes in different functional areas make it very difficult to assess the impact on social state attributable to specific public policies.

It is, however, necessary to frame objectives for the achievement of which certain programmes are formulated. Also, social indicators need to be evolved for measuring the effectiveness of these programmes in achieving the objectives. For instance, health improvement programmes may have various objectives, such as elimination of specific diseases, reduction of infant mortality to specified levels, raising average reading scores of poor children to given levels, improving human resources, improving the earning capacity and ability to function of individuals and families, and institutional and community development. The analysis of a specific health programme has to focus on the problem of valuing the benefits in achieving these objectives as against the costs incurred. Whereas, agreed upon social indicators are essential for measuring the benefits, it is also necessary to find ways of identifying such benefits as could be attributed to specific inputs, costs or activities.

SOME IMPORTANT ISSUES

An important issue relevant to a proper working of the system of programme budgeting pertains to the need for developing an adequate range of social indicators. These indicators are necessary for setting targets for achievement, for monitoring information regarding progress of work, and for evaluation of performance. One approach to collect data for use as indicator of performance is to

generate it as a by-product of administrative activity, for instance, the number of doctors in relation to the hospital beds or the doctor patient ratio. There are also other approaches for collection of statistics to crystallize into social indicators. However, the social indicators available so far, whether representative, candidate, direct, indirect or proxy, are in an infant stage of development and therefore are not adequate to serve the various purposes. This highlights the need for much efforts and work to be devoted for developing measureable social indicators.

However, before it is attempted to evolve social indicators for specific areas, it is essential to know as to what types of social state it is intended to measure. This presupposes the existence of a general model of society embodying agreed ideologies and accepted philosophy. Once the goals and objectives are known, it is easy to determine the nature of data necessary to be generated. The basic statistics thus collected can be utilised for structuring information in accordance with the conditions of social change which are sought to be measured. The process may be taken further to crystallize the structured information into meaningful social indicators.

Therefore, the first essential is that we should be clear about the type of social state we want to measure as a consequence of expenditure of specific inputs. Secondly, it is imperative to evolve those social indicators as would enable measurement of such a social state. If by incurring costs on educational improvements, the desired social state to be achieved is the development of educated citizens with personalities as socially acceptable and imbibing the desired societal values, then those social indicators need to be evolved as would measure such a social

state. Similarly, if changes in the level of living are to be measured, we should first determine the acceptable components which comprise the cultural pattern of life of the society, and then develop social indicators as would enable measurement of changes in these components of level of living. The data generated and the information structured should accord with the specific needs of social indicators thus decided upon.

The issues embodied in the preceding paragraphs have been raised because the tendency so far has been to develop indicators for which data are readily available and arrangements exist for the collection of statistics. The impact analysis is conducted to accord with the available statistics rather than making efforts for the creation of data to suit the needs of measurement of social state as is decided to be measured on other relevant considerations.

As Prest and Turvey have remarked:

"Before exploring the conceptual problems, it should be noted that some of the differences between authors in the way they

estimate benefits stem from differences in the availability of statistics rather than from differences in what the authors would like to measure if they could."⁴

It is, therefore, suggested that the type of social state to be measured should be decided upon on its own logic and within the framework of accepted public policies, and then social indicators should be developed for the measurements and evaluation of the impact created by the planned activities. The impact analysis should not be dictated by the type of statistics available; rather, efforts should be made to create the necessary data for the specific purpose of developing social indicators to suit the nature of social state which is sought to be measured.

It may, however, be stressed that the development and use of social indicators for impact analysis do not exclude the use of other performance indicators for management control and evaluation. In fact, social indicators, as supplemented by other performance indicators, serve better the purposes of performance evaluation.

⁴A. R. Prest and R. Turvey, "Cost-Benefit Analysis: A Survey", *Economic Journal*, December 1965, p. 721.

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CONTENTS

	PAGE
Some Aspects of Demographic Analysis of Medium Size Towns in India	K.V. Sundaram P.K.S. Nair R.K. Wishwakarma 1
Water Supply in Siliguri	K.S. Bhattacharjee D.J. Bhowmik 31
Eastern Zonal Council—Its Possible Role in Regional Planning and Development	C. Mozumder 41
Slum Clearance in Jaipur : Policies, Problems and Priorities	Ramesh K. Arora Shashi Mathur 54
Rent Control, Housing and Property Taxation	Deva Raj 65
State Power to Dissolve and Supersede Municipalities	Hoshiar Singh 92
Supersession of a Municipal Corporation	Ramashraya Sinha 97
City Politics and Administration	D. Curtis 103
Towards a Limited Local Self-Government (A Review of Gujarat Octroi Tax Inquiry Committee Report)	G.D. Sharma 108
Book Review	
<i>People and Housing in Third World Cities : Perspectives on the Problem of Spontaneous Settlements</i> (D.J. Dwyer)	C.M. Palvia 113

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Some Aspects of Demographic Analysis of Medium Size Towns in India*

ALTHOUGH the term medium-size towns is somewhat elusive to define, in the national context, perhaps, 'the second order' cities would qualify for this expression. As the United Nations study on Meerut in India (1974)¹ has pointed out that the medium-size towns may be taken to include those towns functioning at sub-national levels and serving the spatial sub-systems of the economy. This would mean that medium-size towns have predominant regional components in their function. Although it may be a satisfactory criterion for defining medium-size towns, there are data constraints which come in the way of adopting this approach for any macro-analysis. In the second alternative, one may go by some population criterion, which is rather a concomitant, but not necessarily a determinant of the function. Such a criterion, however, cannot be fixed in an arbitrary manner, but has to be conceived in the context of the urban size ratchet characteristics of any particular country.

The objective of the study is to analyse certain characteristics of the 'medium-size towns' in India and find out their distinguishing features with respect to these

characteristics. In the first instance, an attempt has been made to define a medium-size town and then to analyse five selected characteristics, *viz.*, growth, sex-ratio, age-structure, working force composition and migration pattern of selected sample cities. In the process of evolution from rural settlements to urban settlements, the interaction of movements of people through time has set different orders of towns and cities. What is particularly important of medium-size towns is that: (1) they have grown over a sufficiently longer time period to show urban traits clearly; (2) the laws of growth can be evolved without much difficulty unlike in the case of big urban centres where changes are happening too frequently; and (3) the development so far taken place is in certain concentrated pockets resulting in urban problems and regional imbalances and it is through development of medium-size towns that regional growth can be accelerated.

As discussed in the beginning the term 'medium-size towns' is used in the functional sense, but in order to define it, the population size has been taken as an alternative variable as it influences to a great extent, the functional role played by the

*The views expressed in the paper are the authors' personal views.

¹ The study of Meerut City for the United Nations Centre for Regional Development, Nagoya, Japan by K.V. Sundaram, R.K. Wishwakarma and others in the context of research project on the 'Role of Cities in Attaining a Desirable Population Distribution in the context of Rapid Urbanisation—Case Study of Meerut (India)', April, 1974 (mimeo).

city in its surroundings. The classification adopted by Census of India for cities and towns in India is given as Class I cities in the population range (100,000 and above); Class II (50,000-99,999); Class III (20,000-49,999); Class IV (10,000-19,999); Class V (5,000-9,999); and Class VI (below 5,000). Some other official agencies have further classified Class I cities, for their use, into three categories, viz., cities having population above 10 lakhs, 5-10 lakhs and 1-5 lakhs. In India an analysis of the percentile distribution of all the towns and cities and their lower limit of population² in 1961 and 1971 (vide Table 1) indicates that somewhere between 50-60,000, a sharp break in the size spectrum occurs.

As per 1961 Census, a place will qualify as a town if it has a Municipal Corporation, Municipality, Notified or Town Area Committee or a Cantonment Board or if it has a density of not less than 1000 persons per square mile and at least 75 per cent of working male population engaged in non-agricultural occupations. "Although this test was sought to be more vigorously applied in 1961 than at any previous census towns, a process which led to elimination from the list of 1961 Census towns of a large number of places which has been classified as towns in 1951, still, as will be presently seen, a large number of 'agricultural towns' not less than 600 in number, escaped the axe".³

TABLE 1
Percentile Distribution of Towns in India

Percent	Population Limit	
	1961	1971
Above 10	50,564	60,753
" 20	28,337	33,126
" 30	19,872	23,141
" 40	15,325	17,415
" 50	12,046	14,070
" 60	10,024	11,525
" 70	8,290	9,620
" 80	6,812	7,769
" 90	5,229	5,768
" 100	206	331

² In the table, the unit town area is town-group in 1961 and urban agglomeration in 1971.

³ Asok Mitra, "A Functional Classification of India's Towns" in Ashish Bose, (ed.) *Patterns of Population Change in India 1951-61*, New Delhi, Allied Publishers, 1967.

In 1971, there were 151 Class I towns, 219 Class II, 652 Class III, 987 Class IV, 820 Class V and 290 Class VI towns. The average population per town in different classes is given in Table 2.

Compared to this, there were as many as 776 villages having population above 10,000 and 3,421 between 5,000 and 10,000; and in 1971 the number of villages was 1,358 and 4,974 respectively. The average population per village in these categories was about 15,800 and 6,500 in 1961 and 16,500 and 6,600 respectively in 1971. Although to qualify as a town, it

was specified that $\frac{3}{4}$ th of working population should be in non-agricultural occupation, Class IV to VI towns on the whole had proportion less than this in 1961. In 1971, the proportions improved in case of Class V and VI towns due to various reasons. The percentage of non-agricultural workers to total workers by size of town is given in Table 3. "The dominance of the agricultural ratio in towns of Class IV, V and VI betrays its inhibitory effect on growth of towns of population below 20,000 and the limited role they play in economic and industrial expansion".⁴ The

TABLE 2
Average Population per Town by Size

Class of town	Average Population	
	1961	1971
Class I	3,28,261	3,53,516
Class II	68,560	67,180
Class III	30,404	30,593
Class IV	13,781	14,145
Class V	7,481	7,558
Class VI	3,321	3,089
All Classes	29,244	34,977

SOURCE : Derived from data published in General Population Tables *Census of India : 1961, 1971*.

⁴ Ibid.

observations made above indicate that areas having populations less than 20,000 cannot be treated as towns in a stricter sense. Having arrived at a lower limit of population size for towns, we examine the distribution pattern of towns above 20,000. The percentile distribution of these towns

is given in Table 4. It could be seen from the table that the deflative population point is about 60,000 and some 30 per cent of towns were above 54,810 in 1961 and above 58,925 in 1971 which mark a out of point from small-size to medium size towns.

TABLE 3
Percentage of Non-Agricultural Workers to Total Workers

Size of town	Percentage	
	1961	1971*
Above 10 lakhs	98.1	96.5
5—10 lakhs	96.8	
1—5 lakhs	94.3	
50,000—1 lakh	89.1	88.9
20,000—50,000	84.3	80.4
10,000—20,000	72.0	70.8
5,000—10,000	68.5	70.1
Below 5,000	68.3	77.0
All Towns	87.5	88.9

*Based on provisional figures.

TABLE 4
Percentile Distributions of Towns of 20,000 and above Population

Percentage	Population Limit	
	1961	1971
Above 10	143,850	160,166
" 20	78,581	80,121
" 30	54,810	58,925
" 40	44,312	44,901
" 50	35,588	37,551
" 60	30,929	32,236
" 70	27,361	28,187
" 80	24,266	25,331
" 90	22,019	22,158
" 100	20,009	20,001

Since the term 'medium-size towns' has been used in a functional sense, these can be treated as 'the second order' towns or those functioning at sub-national levels with prominent regional characteristics in their function. An analysis of rank-size relationship of cities and towns above 20,000⁵ (see Chart) indicates that at the national level, big cities up to a population of 3 lakh show a certain amount of inde-

pendence. This suggests that India being a country of extraordinary size has many regions each of which is large enough to be an ordinary country in itself.

This study indicates vast variations within macro-regions and the cities of size of about 5 lakhs were also acting as regional towns. The expected population of the largest city in different macro and meso regions is given below :

TABLE 5
Expected Population of the Largest City by Regions

<i>Macro-Regions</i>	<i>No. of towns</i>	<i>Expected Population of largest city (in lakhs)</i>	<i>Meso-Regions</i>	<i>No. of towns</i>	<i>Expected population of largest city (in lakhs)</i>
1	2	3	4	5	6
I	147	29.40	I A	51	10.20
II	147	29.40	I B	61	12.24
III	62	12.52	I C	35	7.28
IV	60	12.00	II A	30	6.01
V	59	11.86	II B	26	5.20
VI	61	13.15	II C	34	6.80
VII	15	3.21	II D	57	11.95
VIII	47	9.40	III A	21	4.39
IX	4	1.05	III B	41	8.28
X	101	20.26	IV A	27	5.24
XI	70	14.14	IV B	33	6.67
XII	102	20.58	V A	17	3.41
XIII	19	2.19	V B	6	1.29

⁵ The Study has been undertaken under the auspices of Social Scientists' Association, Town and Country Planning Organisation on the Macro and Meso Regions as demarcated by the Town and Country Planning Organisation, Government of India, New Delhi. The reference year is 1971.

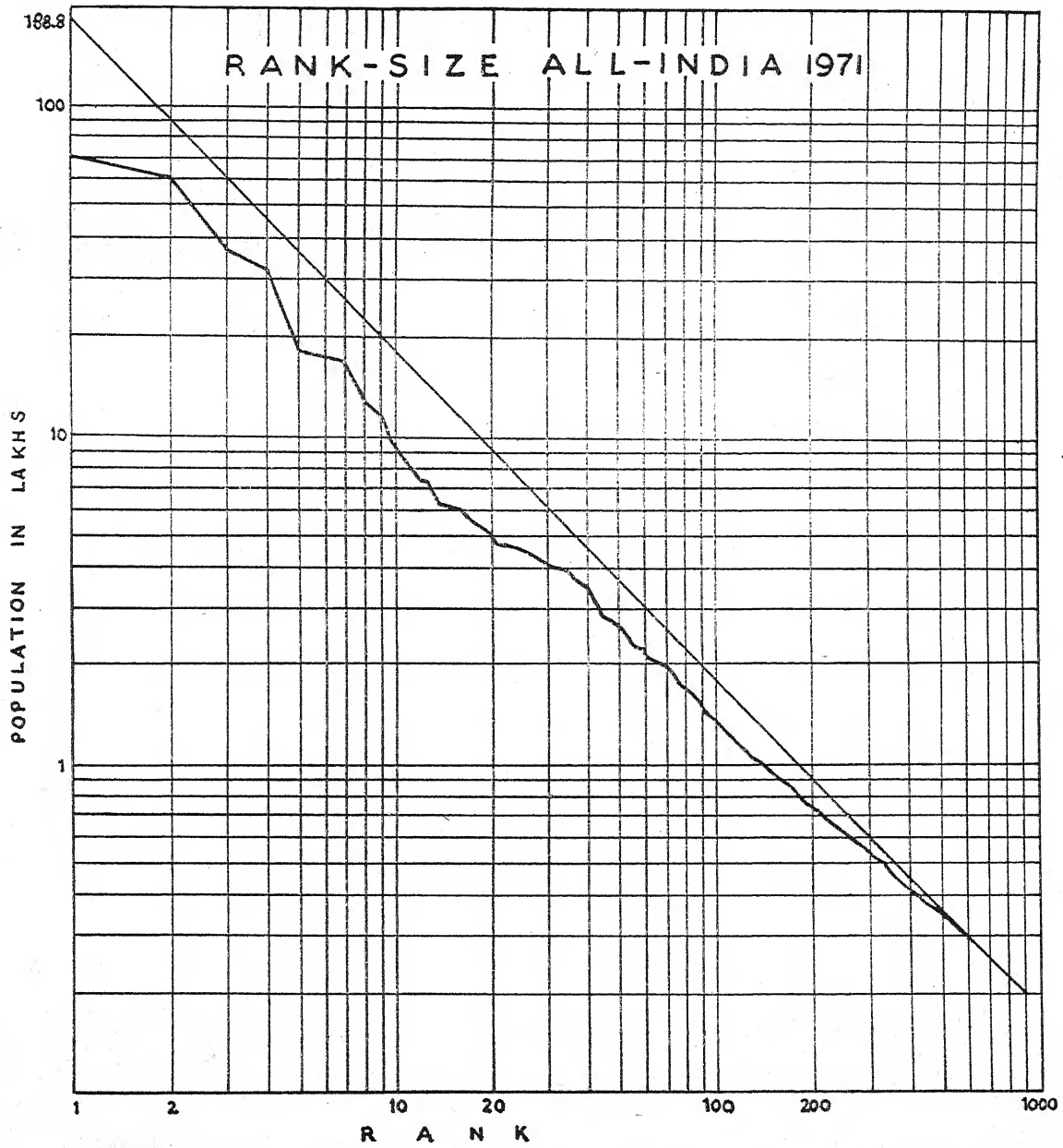
1	2	3	4	5	6
			V C	11	2.51
			V D	5	1.02
			V E	12	3.39
			V F	8	1.75
			VI A	36	8.10
			VI B	25	5.37
			VII A	2	0.65
			VII B	13	2.78
			VIII A	28	5.60
			VIII B	19	3.80
			IX A	4	1.05
			IX B	—	—
			X A	55	11.49
			X B	46	9.20
			XI A	46	9.21
			XI B	24	5.57
			XII A	38	8.02
			XII B	37	7.44
			XII C	27	5.72
			XIII A	8	1.81
			XIII B	6	1.20
			XIII C	5	1.58

The range of expected population in macro regions is 1.05 lakhs to 29.40 lakhs and that of meso regions, it is 0.65 lakhs to 12.24 lakhs (see Table 5). Considering the preceding analysis, we have taken a sufficiently big population range of 50,000 to 5,00,000 for making an analysis of medium-size towns.

Characteristic Analysis

The selected variables of analysis are population growth, sex-ratio, age structure, working force composition and migration. There were 238 cities in the population range—50,000 to 500,000 in 1961 which have been further subdivided into

CHART



three broad size-ranges, viz., 50,000 to 1,49,999; 1,50,000 to 2,99,999 and 3,00,000 to 4,99,999. A sample of 48 towns has been taken on random basis with probability proportional to population in the above three categories of towns. The time coverage has been limited to a decade before and after base year, i.e., 1961.

Population Growth

The growth of country's population was 21.50 per cent and 24.66 per cent during 1951-61 and 1961-71 respectively. As against this, the total urban population increased by 26.41 per cent⁶ and 38.40 per cent respectively during the same decades. Population growth of towns by size of class during the two decades is given in Table 6.

It could be seen that excepting in case of Class I and III towns, in all other cases,

1961-71 growth rate was more than 1951-61 growth rate; but the corresponding growth of Class I and III towns was more rapid during 1951-61. This tendency was shown by Class II towns only in 1961-71. The growth rates of selected towns are given in Appendix 1. The weighted average growth rates of all categories of towns were 37.22 per cent and 37.37 per cent during the decades giving a ratio of 1.004 and indicating a marginal increase in the growth rate. Category II towns having a population of 1,50,000 to 2,99,999 showed a growth rate higher than other two categories during both the decades. The 1961-71 growth rate was much lower than 1951-61 growth rate in case of category I only and marginally lower in case of Category II but marginally higher in case of Category III.

TABLE 6
Population Growth of Towns by Size During 1961-71

Area	Growth Rate		Col. (3)
	1951-61	1961-71	Col. (2)
India : Total	21.50	24.66	1.147
India : Urban	26.41	38.40	1.454
Class I Towns	44.47	39.26	0.883
Class II Towns	39.26	58.18	1.482
Class III Towns	40.14	36.45	0.908
Class IV Towns	18.23	35.56	1.951
Class V Towns	(—)29.99	8.75	(—)0.292
Class VI Towns	(—)62.35	18.90	(—)0.303

⁶ Due to definitional changes of the urban area in 1951 and 1961, this Figure was calculated on the population growth of 1961 during 1951-61.

The conclusion which can be derived out of this analysis is that (1) Category II and III towns were maintaining more or less the same growth trends in both the decades; whereas Category I towns showed a declining tendency in their growth rate, (2) Within medium-size towns, as size goes down, growth rate has shown an increasing tendency. The reasons may be attributed to the fact that higher order towns have already achieved stability in their growth due to physical density and economic constraints and the 'pull factor' evidenced in the post-Independence periods to big towns is being slowly transferred to their immediate juniors due to diffusion of economic activity and innovation over the

space. Analysis of other factors undertaken in the study also corroborates this fact.

Sex-Ratio

The sex-ratio (number of females per 1000 males) for the country was 946 in 1951, 941 in 1961 and 932 in 1971; and for urban area, it was 859, 844 and 858 respectively. Whereas, the ratio for the country as a whole declined consistently, that of urban areas it declined during 1951-61 and rose to 1951 level again in 1971. In all classes of towns, as in urban area as a whole, the ratio was less than that of the country in all the three decade ends (see Table 7).

TABLE 7
Sex-Ratio—All India, Urban and by Size of Town

Area	Sex-Ratio			Col. 3	Col. 4
	1951	1961	1971	Col. 2	Col. 3
India : Total	946	941	932	0.995	0.990
India : Urban	859	844	858	0.983	1.017
Class I Towns	789	799	824	1.013	1.031
Class II Towns	882	852	885	0.966	1.039
Class III Towns	900	885	902	0.983	1.019
Class IV Towns	934	913	911	0.973	0.998
Class V Towns	946	902	900	0.953	0.998
Class VI Towns	903	856	856	0.948	1.000

As the size-class increased from Class I to IV, the ratio also showed an increasing trend and thereafter a decreasing trend indicating possibly a stability of migration element in Class IV and V towns.

The sex-ratio of selected towns in three categories of towns is given in Appendix 2. The weighted average sex-ratio of all categories of towns was 836 in 1951, 826 in 1961 and 862 in 1971 indicating a decline during 1951-61 and an increase during 1961-71. In all the categories of towns also, the sex-ratio declined from 1951 to 1961 and rose to a more stabilising level than any time during the period under study in 1971. The decade-ratios of sex-ratio also indicate that the tendency to reach stability level is faster where base value of sex-ratio is lower. Category II towns which had the highest sex-ratio of the three in 1951 and 1961 increased relatively slower than Category I and II.

This is more or less in tune with the tendency shown by Class I, II and III towns, but in Class V and VI towns the base value of sex-ratio was of higher order in comparison to larger towns during the earlier decades. Only thing that can be stated is that the declining trend depicted during 1951-61 has ceased to exist but it is yet to show an increase.

Age Composition

The composition has been studied in three broad age-groups, viz., 0-14 years, 15-59 years and 60 years and above. For the country, as a whole, in 1961, 41.02 per cent of population were in 0-14 years, 53.33 per cent in 15-59, and 5.63 per cent in above 60. In the urban areas, the percentages were 39.00 per cent, 56.26 per cent and 4.73 per cent respectively (see Table 8). It could be seen that as the size goes down, percentage of persons in

TABLE 8
Percentage Distribution of Age—All India, Urban and by Size of Towns

<i>Area</i>	<i>Percentage of Population in</i>			
	<i>0-14</i>	<i>15-59</i>	<i>60+</i>	<i>Age not stated</i>
India : Total	41.02	53.33	5.62	0.03
India : Urban	39.00	56.26	4.72	0.02
Class I Towns	37.61	58.04	4.33	0.02
Class II Towns	39.37	55.62	4.98	0.63
Class III Towns	40.11	54.87	4.99	0.03
Class IV Towns	40.86	53.79	5.32	0.03
Class V Towns	41.09	53.56	5.32	0.03
Class VI Towns	40.95	53.77	5.32	0.05

15-59 years age-group decreases; while in the other two groups, viz., 0-14 and 60 and above, the percentage increases. This is partially due to the more migrant component in the working force age-group in bigger size towns. Analysing this characteristic for medium-size towns (see Appendix 3), we find the average percentage for all the categories as 38.62 in 0-14 age-group, 56.71 in 15-59 age group and 4.63 in 60 years and above. There has not been so much variation between the different categories especially in categories I and IV. The homogeneity of medium-size towns with respect to this characteristic is noteworthy.

Working Force Composition

Census of India has classified workers into 9 categories, viz., (1) Cultivators, (2) Agricultural labourers, (3) Mining, Quarrying, etc., (4) Household Industry, (5) Manufacturing other than household industry, (6) Construction, (7) Trade and Commerce, (8) Transport, Storage, Communication, and (9) Others. The percentage distribution of total workers and workers in different categories for the country as a whole, urban areas and by size of towns as of 1961 is given in Table 9.

TABLE 9
Percentage of Workers by Industry—All India, Urban and by Size of Towns
and Their Participation Rates

Industrial Category	All-India Total	All-India Urban	By size of towns					
			I	II	III	IV	V	VI
I	52.82	6.56	1.55	4.22	8.21	15.28	18.81	23.66
II	16.71	3.48	0.58	2.72	4.69	6.00	8.94	5.07
III	2.75	2.52	1.53	3.71	2.83	3.69	3.96	3.18
I+II+III	72.28	12.56	3.66	10.65	15.73	24.97	31.71	31.91
IV	6.39	7.53	5.13	8.91	9.93	11.89	12.18	9.42
V	4.22	20.98	27.43	21.02	17.13	11.16	8.65	8.20
VI	1.09	3.65	3.60	4.47	4.04	3.13	2.82	2.97
IV+V+VI	11.70	32.16	36.26	34.40	31.10	26.13	25.65	20.59
VII	4.05	16.31	17.43	16.47	16.06	14.09	13.89	13.10
VIII	1.59	8.05	9.93	8.12	7.11	5.20	4.16	4.10
IX	10.38	30.38	32.82	30.36	30.00	28.61	26.59	31.30
VII+VIII+IX	16.02	55.28	60.18	54.85	53.17	47.90	44.64	48.30
Participation Rate	42.98	33.48	33.16	32.27	33.10	34.85	35.86	33.55

It could be seen from the above table that participation rate (percentage of workers to total population) is less in urban areas compared to the rate of the country as a whole. This is mainly due to more female and children participating in primary sectors which is predominant in rural areas. The participation rate declined from Class I to II towns, thereafter showing a consistent increase from Class II to V and again declined in Class VI. Obviously, while percentage workers in primary sector increased as size-class of town decreased, those in secondary and tertiary decreased, the only exception being in the case of tertiary sector in Class VI towns. In case of Primary sector, each of the three sub-sectors, viz., 'Cultivators', 'Agricultural Labourers' and 'workers in Mining, Quarrying etc.' was generally showing the same trend of the sector itself. In case of secondary sector, percentage of workers in 'Household Industry' was generally increasing with size-class, it was just the opposite for 'Manufacturing Industry'. In case of tertiary sector also, the sub-sectors trends were same as that of the major sector and the exception which has been mentioned above is due to a break in trend in case of Class VI town for 'other services'. Coming to medium-size towns, the participation rate was 33.39 per cent in 1961. The sample chosen is a part of Class I and II towns and participation rate in these two classes were 33.16 per cent and 32.27 per cent and the estimated rate of medium-size towns ought to have been in between these two. The difference is partly due to the sample chosen and partly due to estimation procedure. Whereas

the estimate for medium size towns is a simple average of the rates of sample towns with weights given on number of towns, the size-class rates are on the basis of weightage given on population of towns. However, the departure is not very significant. There were 6.68 per cent of workers in the Primary Sector, 35.29 per cent in Secondary Sector and 57.95 per cent in Tertiary Sector. (See Appendix 4). Between the three categories of medium-size towns, the highest rate was in Category III followed by Category I and Category II. The phenomenon explained earlier of increase in primary sector, decrease in secondary and tertiary sectors as population size decreases, is not clearly evidenced in case of the three categories of medium-size towns, though at aggregate level of Class I and II towns, it was found. Only a part of this is due to the sample chosen and other part is due to the fact that the extent of heterogeneity of these rates within medium size towns explains the inapplicability of the aggregate trends on smaller units.

Migration

Migration refers to the movement of population from one locality to another locality with the idea of settling in the locality to which they have moved, whether it be due to economic or social reasons. This has been the most important factor for growth of population in urban areas and thereafter it has determined the process, degree and direction of urbanisation. The only data available in India on migration on a comprehensive scale is again from Census of India, 1961. Here

the concept of migration has been related to the place of birth and place of enumeration. Of the total 158.62 million migrants population as of 1971 (vide Table 10), 140.55 million or about 87 per cent moved within the state boundary. An overwhelming proportion of intra-state move (76.0 per cent) was from rural areas and directed towards rural areas. Thus it did not bring any change in the ratio between rural and urban population. The movement from urban to rural areas, accounting for 4.6 per cent of the mobile population, increased rural population by 6.53 million while the counterflow of rural communities to urban areas sharing

12.9 per cent of the total movement, reduced the rural population by 18.16 million. While the intra-state migration was predominantly from rural to rural areas, inter-state migration shows the predominance of movement both from rural to rural and rural to urban areas, consisting of 34.2 per cent and 31.2 per cent respectively. About 58.8 per cent migrants who crossed the state boundary moved towards urban areas as compared to 19.4 per cent in the case of migrants who moved within the state.

The weighted average of percentage migrants was 49.89 per cent for the selected medium-size towns. (It may be

TABLE 10
Migrant Behaviour of Population in India during 1961-71

(In million)

<i>Direction of movement</i>	<i>Total Migration</i>		<i>Intra-State Migration</i>		<i>Inter-State Migration</i>	
	1961	1971	1961	1971	1961	1971
Rural to Rural	44.54 (67.6)	113.04 (71.3)	41.64 (72.7)	106.85 (76.0)	2.90 (33.4)	6.19 (34.2)
Rural to urban	11.62 (17.6)	23.80 (15.0)	8.56 (15.0)	18.16 (12.9)	3.05 (35.2)	5.64 (31.2)
Urban to rural	3.00 (4.60)	7.79 (4.9)	2.55 (4.5)	6.53 (4.6)	0.45 (5.2)	1.26 (7.0)
Urban to urban	6.67 (10.2)	13.99 (8.8)	5.48 (7.8)	9.01 (6.5)	2.28 (26.2)	4.98 (27.6)

SOURCE : 1. Census of India, Monograph Series, Vol. I, No. 8, 1968.

2. Census of India, 1971, Series, I—India—Part II special, All India Census Tables (Estimated from 1% Sample data).

N.B. Figures in parenthesis denote percentages with respect to total.

pointed out that out of 25 selected towns in Category III, only 3 towns which had population of a lakh and above, had migration data available at town level (vide Appendix 5) and the estimates for all categories and Category III may not be truly representative). Category I towns had 39.73 per cent of migrant component, Category II 36.12 per cent and Category III 53.47 per cent.

An analysis of age composition of migrants indicates that 22.80 per cent of migrants belonged to 0-14 years age group, 71.95 per cent in 15-59 years and 5.25 per cent in 60 years and above. These proportions were more or less same in all the three categories of towns showing an increasing trend in percentages in case of 0-14 years and 60 years and above age groups and declining trend in 15-59 years group as size decreases. Compared to the age composition of total population in the selected medium size towns, the percentage in 0-14 years age group for migrants was about 2/3rd of the same age

group of total population, about 5/4th in case of 15-59 years group and about 10/9th in case of 60 years and above. The ratio of the percentages for migrants to that for total population is given in Table 11. It is interesting to note that these ratios, besides substantiating the trend stated above clearly depict closeness of Category I and II. It is probable that though the trend is maintained in Category III, a wider difference in the percentages and ratios may be due to paucity of information in majority of towns in this category. The higher proportion of migrants in 15-59 and 60 and above age groups is due to obvious fact that persons in higher age groups migrate either due to economic or social reasons. We have only attempted to estimate the extent of it in medium size towns.

Conclusion

The analysis made in the preceding paragraphs and the characteristics given

TABLE 11
Ratio of Percentage of Migrants to Total Population by Age-Group

Category	Age-Group		
	0-14	15-59	60+
I	0.48	1.34	1.45
II	0.50	1.34	1.35
III	0.62	1.25	1.07
All Categories	0.59	1.27	1.13

in Table 12 lead to the following conclusions :

(1) Growth rates of population of medium-size towns were much higher than urban growth rate as a whole in 1961 but slightly less in 1971. The growth rate has increased only marginally. There is an indication that lower order towns within medium size towns are showing a more rapid growth than higher order cities.

(2) The sex-ratios of the medium size towns were much lower than that of urban areas as a whole in 1951 and 1961 but slightly more in 1971. This trend is found in all categories of medium-size towns also and the rate of increase in 1961-71 being faster where base value is lower.

(3) There was not much difference in the age-composition of population in medium-size towns and that of urban areas. Within the three categories of towns also the pattern is not much different.

(4) Percentage of migrants in the medium size towns is slightly less than

half of the total population. The age-composition of migrants show a preponderance of population in the age-group 15-59 years.

(5) Participation rate of medium size towns and urban areas as a whole is almost of the same order. Percentage of workers in the medium-size towns in primary sector is almost half of that of urban areas but more in secondary and tertiary sectors.

(6) The medium size towns have a slightly lower participation rate as compared to the smaller towns mainly due to presence of larger proportion of females and children in the working force composition of the latter.

(7) The workers are engaged predominantly in tertiary sectors (58%) followed by secondary (35%) and with a small proportion being engaged in primary sector (7%).

TABLE 12

Salient Features and Characteristics of Selected Sample Medium-Size Towns in India

<i>Variables</i>	<i>Category I Towns</i>	<i>Category II Towns</i>	<i>Category III Towns</i>	<i>Total</i>
1	2	3	4	5
1. <i>Population Growth Rate</i>				
1951-61	37.89	46.55	35.25	37.22
1961-71	33.59	46.51	35.79	37.37

	1	2	3	4	5
2. <i>Sex-Ratio</i>					
1951		826	854	833	836
1961		825	842	823	826
1971		852	855	864	862
3. <i>Age-Distribution</i>					
0-14		39.65	39.91	38.28	38.62
15-59		55.81	55.56	57.01	56.71
60+		4.49	4.50	4.67	4.63
Age not stated		0.05	0.03	0.04	0.04
4. <i>Workers to Total Population</i>		31.30	30.70	34.10	33.39
5. <i>Workers by Industry</i>					
Industrial Category					
I		1.40	2.50	3.40	3.14
II		0.80	1.40	1.70	1.50
III		1.20	3.90	1.60	1.94
Sub Total I+II+III		3.40	7.80	6.70	6.68
IV		9.40	5.20	7.50	7.24
V		29.50	21.90	21.30	21.88
VI		3.50	4.10	6.80	6.17
Sub Total IV+V+VI		42.40	31.20	35.60	35.29
VII		15.7	15.8	16.8	16.58
VIII		7.9	10.8	8.3	8.68
IX		30.6	34.4	32.6	32.77
Sub Total VII+VIII+IX		54.2	61.0	57.7	58.03
6. <i>Percentage of Migrants</i>		39.73	36.12	53.47	49.89
7. <i>Distribution of Migrants by age</i>					
0-14		19.0	19.8	23.7	22.80
15-59		74.5	74.2	71.3	71.95
60+		6.5	6.0	5.0	5.25

APPENDIX 1

Percentage of Population Growth in Medium-Size Cities : 1951-61 and 1961-71

S. No.	Cities	1951-61	1961-71	Col. (4) Col. (3)
1	2	3	4	5
1.	Varanasi T.G.	37.69	19.00	0.504
2.	Allahabad T.G.	29.62	19.33	0.653
3.	Amritsar T.G.	18.43	15.07	0.818
4.	Indore T.G.	27.05	44.99	1.663
5.	Jabalpur T.G.	42.81	45.43	1.061
6.	South-Suburban T.G.	60.27	42.38	0.703
7.	Sholapur	21.83	17.93	0.821
8.	Jamshedpur T.G.	50.37	41.81	0.830
9.	Trivandrum T.G.	52.95	56.19	1.061
<i>Average of Category I</i>		37.89	33.57	0.886
10.	Baroda	41.15	56.64	1.376
11.	Srinagar T.G.	17.69	41.49	2.345
12.	Meerut T.G.	21.79	29.49	1.353
13.	Bareilly T.G.	31.11	49.54	1.592
14.	Jullunder T.G.	31.21	33.04	1.059
15.	Trichirapalli	14.13	23.19	1.641
16.	Calicut T.G.	56.59	73.48	1.298

TG=Town-group.

1	2	3	4	5
17.	Hubli-Dharwar T.G.	26.66	52.75	1.979
18.	Ajmer	17.60	13.67	0.777
19.	Bhopal T.G.	117.87	75.86	0.644
20.	Nasik T.G.	37.41	26.02	0.695
21.	Dhanbad-Jharia-Sindri T.G.	172.57	115.88	0.671
22.	Kolhapur T.G.	41.18	38.21	0.928
23.	Saharanpur	24.78	21.86	0.882
<i>Average of Category II</i>		46.55	46.51	0.999
24.	Cuttack	42.73	40.63	0.951
25.	Durg T.G.	55.96	84.14	1.504
26.	Sagar T.G.	30.73	47.90	1.559
27.	Ferozepur T.G.	17.58	-0.32	0.018
28.	Hoogly-Chinsura T.G.	46.30	26.64	0.575
29.	Bihar	24.49	27.32	1.116
30.	Titagarh	6.71	27.32	4.071
31.	Sambhal	12.23	25.21	2.061
32.	Jalna	14.84	35.65	2.402
33.	Siliguri	101.57	48.90	0.481
34.	Mt. Alandur T.G.	49.27	133.61	2.712
35.	Bankura	27.27	25.93	0.951
36.	Hissar	70.26	48.56	0.691
37.	Midnapur	30.91	19.81	0.641
38.	Dibrugarh	53.93	37.39	0.693

1	2	3	4	5
39.	Bahraich	25.24	31.94	1.265
40.	Vijayapuri	—	(—) 61.64	—
41.	Hapur	12.16	28.99	2.384
42.	Virudunagar	18.39	12.90	0.701
43.	Pathankot	69.09	39.90	0.577
44.	Pollachi	30.24	26.28	0.869
45.	Beawar	5.64	22.59	4.005
46.	Navsari	20.01	36.39	1.819
47.	Kottayam	19.19	13.35	0.696
48.	Faridabad T.G.	61.15	115.34	1.886
<i>Average of Category III</i>		25.25	35.79	1.015
<i>Average of all Categories</i>		37.22	33.37	1.004

APPENDIX 2

Sex-Ratio of Medium-Size Towns : 1951, 1961 & 1971

S. No.	Towns	1951	1961	1971	Col. (4) Col. (3)	Col. (5) Col. (4)
1	2	3	4	5	6	7
1.	Varanasi T.G.	811	812	826	1.001	1.017
2.	Allahabad T.G.	795	778	785	0.978	1.008
3.	Amritsar T.G.	578	789	831	1.040	1.053
4.	Indore T.G.	854	851	861	0.996	1.011
5.	Jabalpur T.G.	833	809	817	0.971	1.009
6.	South-Suburban T.G.	715	740	864	1.034	1.167
7.	Sholapur	917	902	911	0.983	1.009
8.	Jamshedpur T.G.	802	784	801	0.977	1.021
9.	Trivandrum T.G.	957	968	979	1.011	1.011
<i>Average of Category I</i>		826	825	852	0.998	1.032
10.	Baroda	862	857	852	0.994	0.994
11.	Srinagar T.G.	853	862	851	1.010	0.987
12.	Meerut T.G.	758	802	816	1.058	1.017
13.	Bareilly T.G.	844	841	845	0.996	1.004
14.	Jullunder T.G.	784	791	859	1.008	1.085
15.	Trichirapalli	957	945	947	0.987	1.002
16.	Calicut T.G.	982	965	987	0.982	1.022
17.	Hubli-Dharwar T.G.	922	901	886	0.977	0.983
18.	Ajmer	900	887	888	0.985	1.001

1	2	3	4	5	6	
19.	Bhopal T.G.	894	771	825	0.862	1.070
20.	Nasik T.G.	845	833	834	0.985	1.001
21.	Dhanbad-Jharia-Sindri T.G.	632	635	664	1.004	1.045
22.	Kolhapur T.G.	918	884	886	0.962	1.002
23.	Saharanpur	805	821	833	1.019	1.014
Average of Category II		854	842	855	0.985	1.015
24.	Cuttack	755	722	776	0.956	1.074
25.	Durg T.G.	980	594	828	0.606	1.393
26.	Sagar T.G.	912	859	845	0.941	0.983
27.	Ferozepur T.G.	678	705	942	1.039	1.336
28.	Hoogly-Chinsura T.G.	851	865	876	1.016	1.012
29.	Bihar	935	933	876	0.997	0.938
30.	Titagarh	532	497	876	0.934	1.762
31.	Sambhal	907	980	862	1.080	0.879
32.	Jalna	917	926	918	1.009	0.991
33.	Siliguri	554	651	734	1.175	1.127
34.	Mt. Alandur T.G.	933	937	—	1.004	—
35.	Bankura	878	877	903	0.998	1.029
36.	Hissar	778	779	775	1.001	0.994
37.	Midnapur	809	812	830	1.003	1.022
38.	Dibrugarh	611	651	716	1.063	1.099
39.	Bahraich	838	842	854	1.004	1.014
40.	Vijayapuri	—	902	941	—	1.043

1	2	3	4	5	6	7
41.	Hapur	851	847	865	0.995	1.021
42.	Virudunagar	989	973	983	0.983	1.010
43.	Pathankot	599	667	861	1.113	1.290
44.	Pollachi	937	941	925	1.004	0.982
45.	Beawar	909	888	901	0.976	1.014
46.	Navsari	964	948	915	0.983	0.965
47.	Kottayam	960	962	989	1.002	1.028
48.	Faridabad T.G.	911	825	745	0.905	0.903
<i>Average of Category III</i>		833	823	864	0.987	1.049
<i>Average of All Categories</i>		836	826	862	0.988	1.044

APPENDIX 3

Age Composition of Population in Medium-Size Towns : 1961

S. No.	Town	Age-Group of Total Population			
		0-14	15-59	60+	Age not stated
1	2	3	4	5	6
1.	Varanasi T.G.	39.11	54.85	5.91	0.13
2.	Allahabad T.G.	39.52	55.91	4.57	—
3.	Amritsar T.G.	38.79	56.04	5.14	0.03
4.	Indore T.G.	41.35	53.80	4.74	0.11
5.	Jabalpur T.G.	39.60	56.56	3.76	0.08
6.	South-Suburban T.G.	37.24	58.59	4.15	0.02
7.	Sholapur	42.30	53.09	4.56	0.05
8.	Jamshedpur T.G.	39.63	57.49	2.84	0.04
9.	Trivandrum T.G.	39.33	55.93	4.74	—
<i>Average of Category I</i>		39.65	55.81	4.49	0.05
10.	Baroda	39.11	56.55	4.33	0.01
11.	Srinagar T.G.	43.49	53.40	3.00	0.11
12.	Meerut T.G.	41.17	53.61	5.21	0.01
13.	Bareilly T.G.	42.02	52.78	5.18	0.02
14.	Jullunder T.G.	39.40	55.65	4.94	0.01
15.	Tiruchirapalli	35.98	59.65	4.37	—
16.	Calicut T.G.	39.53	55.03	5.43	0.01
17.	Hubli-Dharwar T.G.	41.18	53.85	4.92	0.05
18.	Ajmer	42.81	52.30	4.87	0.02
19.	Bhopal T.G.	37.77	58.04	4.12	0.07

1	2	3	4	5	6
20.	Nasik T.G.	39.25	56.47	4.22	0.06
21.	Dhanbad-Jharia-Sindri T.G.	34.69	62.43	2.85	0.03
22.	Kolhapur T.G.	41.24	54.38	4.38	—
23.	Saharanpur	41.08	53.63	5.24	0.05
<i>Average of Category II</i>		39.91	55.56	4.50	0.03
24.	Cuttack	33.86	60.99	5.10	0.05
25.	Durg T.G.	28.92	68.69	2.23	0.16
26.	Sagar T.G.	41.72	53.57	4.67	0.04
27.	Ferozepur T.G.	36.95	58.38	4.57	0.10
28.	Hoogly-Chinsura T.G.	38.06	56.59	5.35	—
29.	Bihar	42.17	52.00	5.78	0.05
30.	Titagarh	26.81	69.21	3.98	—
31.	Sambhal	44.05	49.18	6.76	0.01
32.	Jalna	41.97	52.72	5.16	0.15
33.	Siliguri	37.62	59.23	3.15	—
34.	Mt. Alandur T.G.	37.94	57.76	4.29	0.01
35.	Bankura	39.71	55.34	4.95	—
36.	Hissar	41.90	53.79	4.01	0.30
37.	Midnapur	38.81	56.61	4.58	—
38.	Dibrugarh	37.51	58.91	3.53	0.05
39.	Bahraich	40.13	54.65	5.21	0.01
40.	Vijayapuri	33.93	63.51	2.55	1.01
41.	Hapur	43.81	50.51	5.68	—

1	2	3	4	5	6
42.	Virudunagar	37.85	57.42	4.74	—
43.	Pathankot	37.13	59.05	3.80	0.02
44.	Pollachi	39.19	56.30	4.51	—
45.	Beawar	40.68	53.95	5.32	0.05
46.	Navsari	38.94	55.10	5.95	0.01
47.	Kottayam	38.64	55.55	5.80	0.01
48.	Faridabad T.G.	38.71	56.26	4.93	0.05
<i>Average of Category III</i>		38.28	57.01	4.67	0.04
<i>Average of all Categories</i>		38.62	56.71	4.63	0.04

APPENDIX 4

Percentage Distribution of Workers in Medium-Size Towns : 1961.

S. No.	Towns	Partici- pation rate (%)	Percentage of workers, by Industrial Category								
			I	II	III	IV	V	VI	VII	VIII	IX
1	2	3	4	5	6	7	8	9	10	11	12
1.	Varanasi T.G.	32.0	1.6	0.3	0.6	28.8	11.3	2.4	19.6	8.4	27.0
2.	Allahabad T.G.	30.5	1.5	1.0	1.2	4.5	16.8	3.2	16.6	12.8	42.4
3.	Amritsar T.G.	31.2	0.4	0.6	0.6	2.2	32.1	3.1	23.7	10.2	27.1
4.	Indore T.G.	28.7	0.7	0.2	1.3	4.0	35.4	3.9	19.8	5.7	29.0
5.	Jabalpur T.G.	33.7	3.1	1.0	1.8	10.1	22.7	5.0	12.1	11.6	32.6
6.	South-Suburban T.G.	31.3	0.2	0.6	0.5	5.2	45.0	2.7	14.3	6.2	25.3
7.	Sholapur	33.1	1.1	0.7	0.8	23.5	38.2	1.9	12.7	5.6	15.5
8.	Jamshedpur T.G.	32.8	0.7	0.2	1.0	1.5	53.0	6.9	9.6	5.5	21.6
9.	Trivandrum T.G.	28.8	3.5	2.3	2.7	5.3	10.7	2.2	12.7	5.1	55.3
<i>Average of Category I</i>		31.3	1.4	0.8	1.2	9.4	29.5	3.5	15.7	7.9	30.6
10.	Baroda	28.0	1.0	0.4	0.6	2.6	31.9	2.3	16.5	8.7	36.0
11.	Srinagar T.G.	28.2	4.0	0.4	1.2	11.6	20.0	1.6	10.6	6.8	43.8
12.	Meerut T.G.	30.4	1.4	1.2	1.1	6.3	19.2	3.2	17.8	8.0	41.8
13.	Bareilly T.G.	28.6	2.1	0.2	1.1	6.2	21.8	4.2	18.5	14.5	31.4
14.	Jullunder T.G.	30.1	0.9	0.6	0.5	3.1	21.5	3.0	16.4	8.2	45.7
15.	Tiruchirapalli	30.9	0.9	1.8	1.6	7.1	25.4	4.0	21.0	11.7	26.5
16.	Calicut T.G.	28.4	0.8	0.6	4.8	4.2	23.5	1.3	14.9	11.3	38.6
17.	Hubli-Dharwar T.G.	29.4	4.8	4.0	1.0	8.1	21.4	4.7	16.1	10.3	29.6
18.	Ajmer	26.3	0.9	0.2	0.9	3.4	10.4	5.2	16.2	29.8	33.0
19.	Bhopal T.G.	36.9	1.0	0.4	2.4	3.5	23.6	16.7	13.3	7.7	31.2
20.	Nasik T.G.	33.1	4.3	3.3	1.2	3.9	20.5	4.0	13.4	6.3	43.1
21.	Dhanbad-Jharia-Sindri T.G.	41.9	4.5	0.6	35.5	1.8	16.0	2.5	9.2	8.0	21.9

1	2	3	4	5	6	7	8	9	10	11	12
22.	Kolhapur T.G.	28.4	6.5	3.6	1.2	6.2	25.1	2.7	16.5	6.8	31.4
23.	Saharanpur	29.6	1.4	0.5	1.1	4.1	26.8	2.3	21.4	14.0	28.4
<i>Average of Category II</i>		30.7	2.5	1.4	3.9	5.2	21.9	4.1	15.8	10.8	34.4
24.	Cuttack	35.3	0.9	0.2	1.3	9.9	14.8	2.8	13.2	11.6	45.3
25.	Durg T.G.	50.8	3.1	1.0	2.5	2.7	43.5	13.8	9.5	6.3	17.6
26.	Sagar T.G.	37.2	5.3	1.1	2.0	37.4	9.4	3.0	12.8	4.4	24.6
27.	Ferozepur T.G.	34.5	2.7	2.1	0.9	4.4	6.3	5.8	12.0	7.8	58.0
28.	Hoogly-Chinsura T.G.	26.3	0.2	0.6	1.7	0.6	24.9	5.7	19.4	10.0	36.9
29.	Bihar	30.7	15.4	4.9	0.6	21.7	12.2	3.0	15.2	3.5	23.5
30.	Titagarh	46.5	0.0	0.0	0.1	0.7	79.9	1.8	8.6	1.9	7.0
31.	Sambhal	28.7	16.3	6.2	1.6	22.2	10.2	2.7	15.0	5.2	20.6
32.	Jalna	33.9	4.8	3.9	1.4	11.8	14.7	2.8	18.1	9.3	33.2
33.	Siliguri	36.2	0.3	3.2	1.0	2.0	18.2	3.9	26.2	20.4	27.8
34.	Mt. Alandur T.G.	29.6	0.7	0.5	6.0	2.0	29.3	4.4	13.2	10.5	33.3
35.	Bankura	28.4	1.0	0.6	1.3	12.7	17.6	3.1	19.9	9.4	34.4
36.	Hissar	29.5	7.0	1.9	3.2	4.9	17.6	8.1	17.5	8.8	31.0
37.	Midnapur	26.6	1.4	1.4	1.1	4.0	11.8	2.7	19.1	9.9	48.6
38.	Dibrugarh	37.4	1.0	0.0	1.5	4.7	11.0	2.2	19.3	22.4	37.9
39.	Bahraich	31.9	7.6	0.4	2.2	4.8	13.1	3.3	22.7	5.2	41.3
40.	Vijayapuri	56.3	0.5	0.03	2.4	2.3	2.9	74.4	4.8	1.4	11.6
41.	Hapur	27.7	4.0	2.9	1.4	7.5	12.4	2.9	24.5	10.1	34.3
42.	Virudunagar	32.7	1.4	2.2	1.4	3.4	26.4	4.5	28.2	8.3	24.6
43.	Pathankot	36.7	1.0	0.4	0.7	0.4	8.0	1.5	14.7	12.3	61.4
44.	Pollachi	35.4	2.7	3.5	0.8	4.1	18.8	4.3	22.9	10.4	32.4
45.	Beawar	31.7	1.2	0.2	0.6	8.3	36.8	4.0	19.9	4.4	24.3

1	2	3	4	5	6	7	8	9	10	11	12
46.	Navsari	29.2	1.4	2.0	0.8	9.6	30.8	2.1	16.3	3.0	33.8
47.	Kottayam	29.8	3.2	2.3	1.8	2.7	13.5	2.5	16.2	7.2	50.3
48.	Faridabad T.G.	30.9	2.6	3.1	0.6	3.3	48.7	5.0	11.7	4.9	19.9
<i>Average of Category III</i>		34.1	3.4	1.7	1.6	7.5	21.3	6.8	16.8	8.3	32.6
<i>Average of all Categories</i>		33.4	3.1	1.5	1.9	7.2	21.9	6.2	16.6	8.7	32.8

SOURCE : Adapted from Census of India, 1961, Paper No. 1 of 1962, Final Population Totals.

Note : I—Cultivators

II—Agriculture Labourers

III—Mining & Quarrying

IV—Household Industry

V—Manufacturing

VI—Construction

VII—Trade & Commerce

VIII—Transport, Storage & Communications

IX—Other services.

APPENDIX 5

Percentage of Migrants and Age Composition of Migrants in Medium-Size Towns : 1961.

S. No.	Towns	Proportion of migrant population to total population (per cent)	Age Group of Migrant Population			
			0-14	15-59	60+	Age not stated
1	2	3	4	5	6	7
1.	Varanasi T.G.	31.69	20.3	71.1	8.6	0.0
2.	Allahabad T.G.	34.93	18.4	74.7	6.9	—
3.	Amritsar T.G.	46.64	14.4	78.3	7.3	0.0
4.	Indore T.G.	44.32	15.0	77.2	7.7	0.1
5.	Jabalpur T.G.	48.02	17.5	77.3	5.2	0.0
6.	South-Suburban T.G.	32.44	31.0	64.0	5.0	—
7.	Sholapur	39.24	18.2	74.6	7.2	0.0
8.	Jamshedpur T.G.	54.19	18.9	76.6	4.5	—
9.	Trivandrum T.G.	26.12	17.2	76.6	6.2	0.0
<i>Average of Category I</i>		39.73	19.0	74.5	6.5	0.0
10.	Baroda	44.37	19.9	74.6	5.5	0.0
11.	Srinagar T.G.	6.44	13.3	82.8	3.7	0.2
12.	Meerut T.G.	41.95	19.9	73.4	6.7	0.0
13.	Bareilly T.G.	28.62	19.6	74.4	6.0	0.0
14.	Jullunder T.G.	52.54	15.9	76.8	7.3	0.0
15.	Tiruchirapalli	38.93	18.7	76.1	5.2	—
16.	Calicut T.G.	19.74	15.5	76.1	8.4	—
17.	Hubli-Dharwar T.G.	26.88	23.0	70.8	6.2	0.0
18.	Ajmer	48.41	24.1	69.0	6.9	—
19.	Bhopal T.G.	52.73	22.0	73.5	4.5	0.0

1	2	3	4	5	6	7
20.	Nasik T.G.	30.78	21.2	72.0	6.8	0.0
21.	Dhanbad-Jharia-Sindri T.G.	n.a.	n.a.	n.a.	n.a.	n.a.
22.	Kolhapur T.G.	39.80	20.6	73.4	6.0	0.0
23.	Saharanpur	38.31	23.8	71.4	4.8	0.0
<i>Average of Category II</i>		36.12	19.8	74.2	6.0	0.0
24.	Cuttack	37.24	34.0	59.8	6.2	0.0
25.	Durg T.G.	84.61	21.4	76.2	2.3	0.1
26.	Sagar T.G.	38.56	15.7	77.9	6.4	0.0
<i>Average of Category III</i>		53.47	23.7	71.3	5.0	0.0
<i>Average of All Categories</i>		49.89	22.8	71.9	5.2	0.0

Water Supply In Siliguri

L YING prostrate at the feet of the Himalayas, Siliguri was a tiny town not of much importance till 1947. On the morrow of independence it came to attain overnight a pre-eminent position among the urban centres of North Bengal for very many reasons: first, there was a phenomenal rise of Siliguri's population and in 1961 it rose to 65,471¹, the highest among all the urban centres of North Bengal. Its area is more than 5 sq. miles, being the largest area of the existing urban centres in the region; second, in the narrow corridor that forms the one and the tenuous link between Assam and the rest of India Siliguri found itself as the most important point. The Assam rail link opened in 1951 and broad gauge railway established in 1962 confirmed Siliguri's function as the entrepot not only for Assam but for Bhutan, Sikkim and Eastern Nepal as well. In fact, it is the hub of the Railway and Highway systems today which connect Assam, North Bengal, Bhutan, Sikkim, and Eastern Nepal with the rest of West Bengal and India; third, "Siliguri's is the rags to the riches story"². Starting just as another small town in the foot-hills it has grown now into the primary trade and distribution centre of North Bengal and Assam; finally, Siliguri is the largest and

the fastest growing urban centre in North Bengal today. Not unjustifiably, therefore, in recognition of its pre-eminent position in North Bengal the Government of West Bengal brought into existence Siliguri Planning Organisation in May 1966 for planning and growth of the area (about 87 sq. miles) centering Siliguri. It is, therefore, interesting to undertake a study on urban amenities of such an urban centre. An attempt is made below to investigate the problems of water supply which is an essential amenity in urban life.

Traditional Sources of Water Supply

Water supply is a basic amenity in a municipal area. Siliguri municipal authority has failed as yet to cater this amenity to the municipal rate payers adequately. People depend considerably on three traditional sources of water supply: the river Mahananda, shallow tubewells and ringwells and ponds. Waters available from these sources are susceptible to pollution. In the monsoon, Mahananda is flooded with rain water which carries industrial refuse and rocky materials. Use of such water without proper purification is injurious to health. During the summer Mahananda is also dried up. Therefore, it is

¹ The population rose to above 90,000 in 1969 and presently, Siliguri's population comes to over a lakh. It is the highest among North Bengal towns.

² "Siliguri: The Rags-to-Riches Story" in the Statesman (Dak) Oct. 2, 1975.

hardly a source of water supply during dry months beginning from April to July in the year. The river is used by a large number of residents on its bank for bathing purpose. Burning ghats are also situated just on the bank of the river; it is most unhygienic to have burning ghats just adjacent to the main source of water supply. A section of people use the river bed for defecating human excreta. For the aforesaid reasons, polluted Mahananda waters cannot be a dependable source of water supply for a town like Siliguri inhabited by roughly a lakh of people.

Tube well is a usual source of water supply in the town. Unless it is sunk properly to reach the pure water layer of the soil it is not hygienic to use its water. Water is actually available in Siliguri at a layer far above the hygienic one. The municipal authority sinks tube-wells into a requisite depth. But owing to callous handling of hand pumps such tubewells are, not unoften, found unworkable. Therefore, people are to depend on their tube-wells which in large many cases are not sunk to reach the proper layer.

Ring wells and ponds constitute another source of water. But their waters get polluted very easily particularly during the rainy session. People throw refuses into the ponds. Besides, Kachha latrines are built on the banks without observing hygienic conditions. This causes water pollution; such waters, therefore, should

not be used for drinking and cooking purposes.

To these traditional sources of water supply, street taps of the water works, which had been commissioned in 1971, may be added.

A study of health hazards reveals that water borne diseases affect a considerable percentage of total population of the town. This constitutes a grave danger to public health. Some eminent medical practitioners confirm that patients of water borne diseases like dysentery and gastro-enteritis constitute a very significant portion of critical cases particularly in dry months.³ Should not the inhabitants of the town expect the municipal authority to ensure water supply for reducing the aforesaid ailments considerably?

Assessment of Water Needs : Difficulties

Assessment of water needs is no mean task for a sprawling city like Siliguri. A general trend of urbanization represented by the percentage of increase in population in urban centres of West Bengal between 1931 and 1961 is noticeable. Comparing the same index of Siliguri with that of West Bengal as a whole it is found that the rate of urbanization in Siliguri too far exceeded that of West Bengal. Between 1941-1951 its rate of urbanization went up roughly sixfold and between 1951-1961 it was double. All these are evident in Table No. 1

³ From accounts of some private medical practitioners in Siliguri it is clear that percentage of patients suffering from water-borne diseases, particularly, dysentery and gastro-enteritis is roughly 4-5 per cent in Jan.-Feb. 1976. But they hold that it rises to 20-25 per cent during dry months of the year. This is also corroborated by the Hospital authorities.

TABLE 1*

Year	Urban Population Growth in West Bengal	Urban Population Growth in Siliguri (in percentage)
1931-1941	63.7	73.9
1931-1951	116.9	435.3
1931-1961	194.9	979.1

*Source : (Socio Economic Survey, S.P.O. 1969)

In fact, on the morrow of independence the town witnessed three main waves of migration which changed dimension and magnitude of the problem of urbanization. First, there was a heavy exodus of population from East Pakistan (now Bangladesh) since 1947; second, another influx of refugees in the town took place in 1960's from the riot-torn East Pakistan (now Bangladesh). The influx was heaviest in 1965 when war broke out between India and Pakistan. Added to this, migration also took place from Assam in the same period due to bad blood created between two communities, Assamese and Bengalees; third, in the wake of Indo-Pakistan war in 1971 considerable number of people crossed the frontier to settle permanently in the city. Besides, Siliguri has a

vast floating population for its geographical location. It caters to the multifarious needs of huge number of tea and military establishments over a large periphery. Siliguri is a business centre of great importance and feeder of the vast chunk of North East India. Darjeeling and other forest and hill stations attract a large flow of tourists throughout the year; Siliguri is the stage point for such incoming and outgoing traffic. The city has to bear the brunt of railway traffic also from three railway stations—New Jalpaiguri, Siliguri Junction and Siliguri town. While the importance of first two is burgeoning for long distance traffic, the third one serves the need of the people of Suburban areas alone. Railway itself is a very important consumer of water. As floating population⁴

⁴ Floating character of a vast size of Siliguri's population may be discerned from the following facts.

- Per 1000 males there are 651 females, the lowest ratio among urban centres of North Bengal; this is due to the fact that men population leaving behind female population flock to this urban centre for earning livelihood.
- Percentage of workers to total population is 35.55 per cent in Siliguri. This is the highest among urban centres of North Bengal.
- From figures collected by Siliguri Planning Organisation in 1966-67 from Inspector of Shops and Establishments, Government of West Bengal it is seen that of all the urban centres of North Bengal, Siliguri has the highest number of hotels totalling 347 obviously for giving shelter to its huge floating population. In the recent times the figure has gone up and some posh hotels have grown in and around this urban centre.

(Source : Socio Economic Survey, S.P.O. 1969)

constitutes an important component of the population size of the city it becomes very difficult to compute its exact water needs. Not only the present supply of water is highly inadequate to meet water requirements of the city's steady and floating population but the problem becomes grave

into A, B, C & D. Accordingly, Siliguri belonged to D class in 1951, C in 1961 and 1971.⁵ Table 2 would represent the estimated water needs of the city on the basis of the recommendations of the said Committee.

TABLE 2

<i>Year</i>	<i>Population</i>	<i>Estimated Purified water needs per day (in thousands)</i>
1951	32	480 Gallons (@15 GPCD)
1961	62	1625 " (@25 ")
1966	88	2200 " (@25 ")
1971	98	2450 " (@25 ")

because traditional sources of water supply are susceptible to pollution for unsanitary use of water by emigrants, railway and road transports, small scale business and industrialists, fruit sellers and absence of sewerage, etc.

However, an attempt may be made for estimating water needs of Siliguri at different periods since 1951. No doubt, floating character of large population inhibits an accurate calculation. According to the Report of Environmental Hygiene Committee (1949) towns have been classified

Response to the Problem by :

(a) Municipal authority-State Government Public Health (Engineering) Department.

It may be worthwhile to recall the endeavours made so far in order to provide filtered water supply in Siliguri municipal area. This would highlight the necessity of coordinating the efforts among various organisations working for the purpose.

To begin with, population of this town according to 1941 Census was 10,487; it shot up to 32,480 in 1951. Meanwhile, the town attained the status of a municipality in 1949. The big increase in its

⁵ It is alleged that in 1971 census enumeration permanent residents of some areas of the town were left out and therefore the correct population size might have exceeded 1 lakh. The calculations in Table No. 2 have, however, been made on the basis of census figure of 98 thousand. In any case at present the population of the town must have exceeded the 1 lakh figure and entitles Siliguri to be ranked as a B Class City.

population was considered by its residents to justify the installation of a plant to provide filtered water supply. The municipal commissioners at a meeting held in October 1953 decided to make a formal request to the Government of West Bengal for drawing up a scheme for the purpose. However, after a lot of correspondence had passed between the municipal authority, local self-government and Public Health (Engineering) Departments of Government of West Bengal and also after several deputations the municipality had waited upon the ministers concerned a scheme emerged from PH(E) in early 1959.

The scheme envisaged a supply of 480,000 gallons per day calculated on the basis of population of 32,000 (1951 Census) it was expected that by the time of completion of the works population would rise by 25 per cent to about 40,000. As three-fourths of this population were supposed to be unable to pay for house connection the scheme provided for 160,000 gallons per day for the purpose of house connections to 25 per cent of the expected population (*i.e.*, 8000) @ 25 GPCD. The remaining 320,000 gallons would be available to the rest of the residents (*i.e.*, 32000) @ 10 GPCD. The scheme provided for this supply through street taps.⁶

Both the municipal board and the State Government finally accepted the scheme with estimated cost of Rs. 8.46 lakhs approximately. Under Bengal Municipal Act

1932 the municipal authority is entitled to financial assistance to the extent of 2/3rd of total expenditure incurred for development schemes including water supply, provided the rest, one-third, is borne by it. As a rule, a-third of total amount is also given as loan initially; it has to be paid back in thirty equal instalments. In 1954, the West Bengal Government created an *ad hoc* Committee for approval of all sanitary works after proper scrutiny. The Siliguri water supply scheme received its clearance from this *ad hoc* Committee. An investigation of the financial position of Siliguri municipality reveals that its receipts consistently exceeded its expenditure in the period between 1955 and 1958 prior to its application for loan on April 24, 1959. No doubt, a provision of a-third of total expenditure by the municipality urged it to be parsimonious in other fields. A formal administrative approval was given in May 1959 by the Government of West Bengal. Accordingly, the Chief Engineer, PH(E) was authorised by the Government to execute the Project after obtaining agreement of the municipal board. In November, 1959 the board indicated its agreement to the scheme including the provisions of finance as described above.

In the meantime, being lately alive to the water needs of the town for fire fighting purposes the municipal board proposed a separate scheme. After initial reservations the board ultimately agreed to the

⁶ The population of Siliguri actually registered a more than 100 per cent rise over the 1951 census figure from 32,480 to 65,471. The calculations which formed the basis of the scheme proved utterly wrong. If 25 per cent of this population were to be provided with 20 GPCD, the remaining residents could not be allowed consumption even @ 4 GPCD.

suggestions of the Government not only for integrating fire fighting part with the scheme already approved but also for shouldering the expenses of its maintenance. The PH(E) Department thereafter proceeded with the works.

With rising of prices the cost of water supply scheme shot up by Rs. 3,28,900 resulting in proportionate increase of the municipal burden.⁷ In fact, Siliguri water supply was drawn up in 1959; but it had been limping for financial crutches. The water works were completed in 1969. During this period the national economy witnessed an unusual phenomenon of inflationary spiralling of prices.

On its completion PH(E) was ready to make over the charge of the water-works to the municipal board by the end of 1968. At that time, population of Siliguri municipal area actually rose from 32000 (1951 census) to over 88000.⁸ This population explosion gravely upset all calculations of water supply on the basis of which the scheme had been drawn up. In an effort to stretch its means to the extreme the PH(E) Department decided upon working the pumps for 20 hrs. in lieu of 16 hrs. per day so as to produce a daily yield of 56000

gallons in place of estimated 48000 gallons. Even with this supply capacity an overall per capita provision of only 6.5 GPCD was possible. Under these circumstances house connections could not be provided @ 20 GPCD but to a handful of residents and even this would virtually mean a stark denial of filtered water supply to the bulk of the town's residents.⁹ On the other hand, as soon as the works would be taken over from PH(E) Department the municipal board would have to find out additional revenue for repayment of government loan received for the purpose. There was little hope of realising water rates except from a very small percentage of total population. Under such financial compulsions the municipal board would not be in a position to withstand for a pretty long time the pressure for house connections.

Actually on the date agreed between the Siliguri Municipal authority and PH(E) Department for transfer of charge of the water-works the former did not send any representative and in fact, subsequently complaints were made that in certain vital respects the works were not completely ready. Some recriminations ensued between these two organisations creating a flutter

⁷ It is to be noted that original estimate was Rs. 8,38,700 in 1959 but on completion of the water-works the revised estimate was Rs. 11,67,400 in 1970.

(Source : *Siliguri Municipal Board, letter addressed to the Board by PHE dated 10-2-70*)

⁸ A survey undertaken by the SPO in 1966 showed the population of the municipal town to be 88,398.

⁹ If 25 per cent of the population are provided with 20 GPCD, the remaining 75 per cent would have less than 2 GPCD. If even 15 per cent of the people are provided @ 20 GPCD, the remaining 85 per cent would have less than 4 GPCD.

in the local news media which reached Calcutta dailies as men and organisations were not wanting for supporting either side. When, however, the dust settled down, both sides were reconciled with the assessment that the municipal board was not in a position to take charge of water-works. The municipal board would even suggest that it was ready to raise water rates from those residents to whom house connections would be provided by PH(E) Department if the latter would agree to render the service on its own for the municipal board.

Generation of a Tension: A Remedial Suggestion

From the available records is evident that a tension developed between PH(E) and the municipal board centering on the transference of the works. Several reasons may be stated for generation of the tension thus: First, Siliguri municipal board does not have requisite administrative and technical knowhow for the management of water works. Second, it is alleged that street taps were not fitted in sufficient numbers in different areas of the town; it would, therefore not be possible to supply water in all parts of the town. To this PH(E) has a rejoinder that there has been adequate provision for street taps in various zones of Siliguri.¹⁰ Third water-works, as it was formulated in 1959 was incapable of providing house connections to 20 per cent

population of the town in 1969. During the period of constructing the water-works (roughly 10 years) the estimated population of the town registered a phenomenal rise from 40,000 in 1959 to roughly 90,000 in 1969. Fourth, under these circumstances, being discouraged by likely adverse public reaction and poll prospect the representatives of local people did not take charge of water-works. As the stalemate continues house connections are not given and street taps waste out the water. Till this day, no solution is in sight. The tendency of avoiding the responsibility of water-works is not unique in Siliguri alone; similar tendency in other water centres of North Bengal, Cooch Behar, Kalimpong, Kurseong, Alipur Duar and Jalpaiguri can hardly go unnoticed. It is learnt from PH (E) Department that they are mootng a proposal for constituting a separate division for running water-works of the municipal bodies. According to them, this seems to be the only solution for obviating the present stalemate.

Now, the present position of relationship between State and Municipal authorities should undergo some radical changes for attaining "Cooperation" based on "partnership". With technical assistance and grants-in-aid municipal bodies may be used as instruments for implementing national urban development programmes. This may provide also the background for

¹⁰ According to the statement collected from P.H.E., there are 96 (ninety six) taps in different parts of the city; these, they feel, are sufficient in number for distribution of water in different areas. But it is unfortunate that it has sparked off controversy between P.H.E. and the municipal board.

the solution of the present impasse. Technically speaking, if the municipal board is unwilling to take charge of the water-works after its completion it may be superseded by the State Government and an administrator may be appointed under the Municipal Act. This would, however, mean a serious inroad into the local autonomy. Any attempt to undermine democratic institutions in public eye should be eschewed as far as possible. Instead of resorting to drastic steps there is a need to strengthen the municipal institutions to shoulder their responsibilities. Two important factors are relevant in this regard: First, there are some extraneous factors for which the municipal authority does not have leverage to control. For illustration, rise of prices tends to inflate the estimated cost of the water-works. This phenomenon may upset the municipal bodies, it has actually been the case with Siliguri municipal authority for it has to pay back the increased loan. Probably, a sound ground exists for suitable compensation by the State for lessening the burden of municipal loan; second, it seems that 'gestation period' is quite high in the case of water-works, *i.e.*, interlude period between starting and commissioning of the works. Water-works in Siliguri had been started in 1959 but completed at the end of 1968. If it is so a number of consequences emanate including, for instance, population rise. Extreme care needs be taken so that water-works is completed within a very reasonable period

of time. The municipal authority may not be unwilling to undertake the responsibility of water-works on its completion provided the aforesaid factors are given due consideration. After all, it is the municipal board, to which credit goes for it.

The Public Health (Engineering) Department thus has become inextricably entangled in the complex problems that beset the task of meeting ever rising water needs of the town with too meagre a supply. Public protests about both absolute paucity of supply and lack of house-connections were now directed against this department as well as the municipal board.¹¹ The Public Health (Engineering) Department, therefore, has considered it a worthwhile exercise to draw up a scheme for augmenting the water-supply of the town without waiting for the municipality's request or the government's authority. The scheme that has emerged from this exercise provided for 40 GPCD of water for 2 lakh people which, it is estimated, would be the number of steady and floating population of Siliguri town by the time of completion of the works in ten years. Its cost has been estimated at nearly Rs. 1 crore. The scheme has been sent by the North Bengal Division of the Public Health (Engineering) Department by the end of 1974 to Government for sanction and response from the latter is still awaited.

Without going into the technical merits of such a scheme we may note its ambitious character. The size of the population

¹¹ For instance, Siliguri Merchants' Association protested against the water supply position in the town in a letter to the Executive Engineer, Public Health (Engineering) Department, Siliguri in their letter No. SMA/112/70 dated 10.9.1970.

project for 1986 in the Interim Development Plan (IDP) of Siliguri Planning Organisation (SPO) at 3.77 lakhs seems to justify the population basis of the Public Health (Engineering) scheme. But even the SPO would not fix the target of a flat rate of 40 GPCD for the whole population in its Comprehensive Development Plan (CDP). Besides, the cost estimate of nearly Rs. 1 crore appears to be too staggering against what has so far been spent for the municipality's total development. It needs be mentioned that scheme does not provide for sewerage, another notably connected aspect of water-problem of the town.

The Siliguri Planning Organisation was created by West Bengal Government in May 1964 in recognition of the need to correct the evils of unplanned urbanisation of Siliguri and its neighbourhood and to induce planned growth along set objectives in the area. The SPO drew up an Interim Development Plan (IDP) in July 1965 and was expected to prepare a Comprehensive Development Plan (CDP) by March 1967. This comprehensive plan is yet to be finalised. Since the planning area of SPO included Siliguri municipal town, it is necessary to remember how this organisation had outlined the needs of water supply for the municipal area in the Interim Development Plan.

The SPO had made certain investigations in the area of its plan to find out the conditions existing in 1964-65. It reported that in this area three out of ten

houses visited did not have any drinking water supply of their own and also that eight out of every ten houses did not find their present source of supply sufficient to meet their requirements conveniently and would welcome additional supply, especially for drinking.¹² The interim plan proposed that 25 per cent of the population was to be provided with a continuous supply of 30 GPCD through house-connections while for the remaining 75 per cent an average per capita daily consumption of 10 gallons was proposed to be ensured through intermittent supply of street taps. For the municipal town of Siliguri the construction of a scheme of water-supply was included in the Capital Projects Programme. Its estimated cost was put at Rs. 36.32 lakhs. It proposed the construction of four 80,000 gallon reservoirs, distribution mains, etc. Neither the SPO having authority of implementation, nor any other agency having since been set up for the purpose, this scheme like most others in its beautifully laid out blue-print has remained a mere paper-exercise. This fact may explain why the preparation of a comprehensive development plan of Siliguri planning area by March 1967 lost its direction and urgency. In its utterly relaxed mood though, the SPO has been finalising the comprehensive plan which envisages a more ambitious scheme of water-works for drawing the waters of the Teesta for a large area including the municipal town of Siliguri.

From an account of these efforts, it appears that about water supply, which

¹² *Vide* Interim Development Plan for Siliguri published by SPO, October 2, 1965, p. 20.

is primarily municipal function, the municipal board has lost all initiative in course of time. The two other agencies drawing up scheme for the augmentation of water supply might not have much mutual consultations, as their schemes' differing bases of calculation and distinctive features suggest. What is of a more serious concern is that neither of these agencies—the SPO and the PH(E) seem to have had an accord of ideas reached by them with the municipal board. It is our submission that though schemes should be prepared by agencies having requisite technical resources, in assessing the problem, in devising the general outlines of policies and methods for tackling the problem and in assuming financial and administrative responsibility the municipality's direct involvement is necessary. As between the SPO

and the PHE the proper relation in making schemes should be to allow the former to lay out the general objectives of development in the municipal area and around, as it has sought to do in the IDP and the CDP, while the PHE should be allowed to have the final authority to determine the technical feasibilities and desirabilities of various alternatives in preparing a scheme.

Secondly, it appears that schemes and plans are framed without any assurance that they will be put through. The State Government upon which the ultimate or at last major financial responsibility lies, has to make up its mind about availability of finance. If this is not known in advance as in the present case, plans and schemes would create hopes without any promise of fulfilment.

Eastern Zonal Council—Its Possible Role In Regional Planning And Development

WHILE preparing the Basic Development Plan for the Calcutta Metropolitan District (CMD) the need for enlarging its scope was strongly felt by the Calcutta Metropolitan Planning Organisation (CMPO). Regional Planning for this region is, therefore, considered an essential element in the planning process. It is motivated by stressing the necessity of having a link between the National Planning Organization and the local community, both within and outside the Calcutta Metropolitan District, thus providing a suitable frame of reference for the balanced integration of development projects of national significance and those based on State or local initiative. But such a link in all the Zones so long is being provided by the States within their respective jurisdictions. This is, therefore, quite different from regional planning in its technical sense where the adjacent States might form only a part of developmental region. Therefore, in between State Planning and National Planning, there remains the gap of "Regional" Planning and how this gap could be bridged in space is the crucial question relating to inter-governmental cooperation in Eastern India.

At present the Zonal Council, a political Organization, is acting as the co-ordi-

nator of highest-level-policy matters concerning the Eastern states. But, because of growing conflicts and maladjustments of interests among the four major States concerned, there has arisen the need for modification of the existing process of cooperation through the Zonal Council.

It is an accepted ideology that a governmental programme for development should not exist for the sake of its existence alone, but should be integrated into a larger social purpose. And for this purpose and within the existing framework of democracy and federalism in India, regional cooperation has been visualized in its voluntary sense. It is because the ethical foundation of the concept of cooperation is found in the importance of creating in the Eastern Region a basis of conflict resolution of inter-State problems, and of the deeper unity arising from a common shared sense of contribution in solving common problems. Under the existing political situation, the concept of voluntary cooperation, beside having many advantages, has also the appeal because of its justification of autonomous approach and perhaps also because it is ambiguous enough to apply to the existing institutional arrangements enabling the States to

* Views expressed in this paper are entirely mine and in no way represent that of the Government. The author thanks Shri P. N. Sinha, Assistant Planner, CMPO, for compiling the two Tables.

substitute, when the situation arises, without being politically inconsistent.

As is seen, the theme of the paper is very complex and, therefore, can not be dealt with comprehensively within its limited scope. Keeping these in mind, the study has been structured as follows :

- (i) Urbanization in Eastern India and the need for cooperation.
- (ii) Federalism of Indian States acting as a disuniting factor.
- (iii) Zonal Council, its limitations and weaknesses.
- (iv) Existing planning process including manner of coordination of the national plan with the State and local plan.
- (v) Basic conditions to be satisfied for suggested solution with an indication of alternative kind of agencies.
- (vi) Suggestions based on above studies.

I. Urbanization in Eastern India and the Need for Cooperation

Planning is the key word today in India—National Planning, State Planning, City Planning, Social Planning, Economic Planning, Family Planning. Rising expectations of millions of people are expressed in the word "Planning". Any person, who had seen pre-independent India, will distinguish today the rapidity of change occurring throughout this sub-continent. And in such a critical time the role of Eastern India,

and particularly of the Calcutta Metropolitan District, is a crucial one. It is, therefore, necessary to understand the vital role of the Eastern Region for the successful implementations of any plan for Calcutta and its environs.

No two regions in India or elsewhere are similar and, therefore, demand typical attention in their delineation on some rational basis. Without going into details, suffice it to say that the Calcutta Metropolitan Planning Organisation had delineated the Calcutta Region as consisting of four major states of Eastern India, namely, Orissa, Bihar, Assam (including Meghalaya, Nagaland, Arunachal, Manipur & Tripura) and West Bengal. Partition of India in 1947 had, in fact, maimed the influence region of Calcutta geographically and economically. It is very interesting to note that one time "Bengal" province practically included all the three States of the Region as delineated today. And finally, it is still an open question as to how far the region will change after emergence of Bangladesh as a Sovereign State.

However, as can be seen from Table A, the level of urbanization in West Bengal is similar to other States in India, whereas it is very low for Assam, Bihar and Orissa. But, when examined in the context of urban growth during 1961-71 (refer Table B, or, even of urban growth during 1951-61) these three States have almost the highest rate of growth. The main reason lies in the fact that these states have recently started very rapid industrial growth within their respective State boundaries.

TABLE A

Urban and Rural Population by States, 1971 (Source : Census of India)

States	Population in Millions			Proportion of Urban to total population
	Rural	Urban	Total	
1. Union Territories	1.992	4.348	6.34	68.58
2. Maharashtra	34.701	15.711	50.41	31.17
3. Madras	28.734	12.464	41.20	30.26
4. Gujarat	19.200	7.496	26.69	28.08
5. West Bengal	33.344	10.967	44.31	24.75
6. Mysore	22.176	7.122	29.30	24.31
7. Punjab	10.334	3.216	13.55	23.73
8. Andhra Pradesh	35.100	8.402	43.50	19.31
9. Jammu & Kashmir	3.758	0.858	4.61	18.59
10. Haryana	8.263	1.772	10.03	17.66
11. Rajasthan	21.222	4.543	25.76	17.63
12. Kerala	17.880	3.466	21.34	16.24
13. Madhya Pradesh	34.869	6.784	41.65	16.29
14. Uttar Pradesh	75.952	12.388	88.34	14.02
15. Bihar	50.719	5.633	56.35	10.00
16. Assam	13.630	1.326	14.95	8.87
17. Orissa	20.099	1.845	21.94	8.41
18. Other States like Himachal Pradesh, Tripura, Nagaland, Meghalaya, etc.	6.873	0.744	7.61	9.65
All India	438.855	109.094	547.95	19.90
Eastern Region	117.794	19.773	137.56	14.37
% of All India	26.9%	18.1%	25.1%	
West Bengal excluding the CMD	37.280	3.935	41.21	9.55

TABLE B

Indices of Urban Growth, 1951-71 (Source : Census of India)

State	Area in Sq. miles	Urban population in million			Percent change in Urban population	
		1951	1961	1971	1951-61	1961-71
1. Assam	47,091	0.410	0.913	1.326	122.53	45.33
2. Orissa	60,164	0.594	1.109	1.845	86.79	66.30
3. Bihar	67,197	2.626	3.913	5.633	49.03	43.95
4. Madhya Pradesh	71,217	3.132	4.627	6.784	47.70	46.63
5. Kerala	15,002	1.825	2.554	3.466	39.89	35.72
6. West Bengal	33,829	6.281	8.540	10.967	35.97	28.40
7. Punjab (including Haryana)	47,205	3.066	4.088	4.989	33.33	22.03
8. Madras	50,331	7.333	8.990	12.464	22.59	38.64
9. Maharashtra	119,717	9.201	11.162	15.711	21.32	40.75
10. Gujarat	72,245	4.427	5.316	7.496	20.07	41.00
11. Mysore	74,210	4.453	5.266	7.122	18.25	35.23
12. Andhra Pradesh	106,286	5.420	6.274	8.402	15.75	33.92
13. Rajasthan	132,152	2.955	3.281	4.543	11.04	38.47
14. Uttar Pradesh	113,654	8.625	9.479	12.388	9.90	30.68
15. India, excluding Jammu & Kashmir Manipur, Meghalaya, Nagaland, Tripura, Arunachal	62,443	78.936	109.094		26.41	38.20

But if the State of West Bengal is viewed outside the Calcutta Metropolitan District, its level of urbanization is no different than other three States in its urban to total population ratio which is only 9.55 per cent (See Table A). Also if a ranking on the basis of population is done for major cities of Eastern Region, Patna with

its about half a million inhabitants stands second to the Calcutta Metropolitan District. These prove conclusively the overwhelming influence of Calcutta on the whole of West Bengal, as well as on Eastern India. Moreover, this region contains India's richest coal-fields, entire mica, shellac, jute and gunnies industries, and a

heavy concentration of engineering, chemical and other industries, making it imperative that, for the purpose of regional development, planning must be done in a balanced way and cooperation among the States is essential because of not only political reasons, but also of limited financial means of each State, of economies of scale, of distribution of complimentary resources and of various other reasons.

II. *Federalism of Indian States*

To understand the intergovernmental problems in the region, it is necessary that Indian Federal system and the basic framework of its Constitution are discussed.

The Constitution of India is unique in respect to its extreme detail and substance. Its uniqueness is attested to by its emphasis on constitutional detail, covering legislative procedure, administrative relationships between the centre and the component States, and the inclusion of a Constitution for the States with equal details as that for the national political organism. The essential reason for this phenomenon may be due to distrust by the members of the Constituent Assembly, fear of provincialism in the nation and need to empower the National Government with sufficient strength to develop a national, industrialised economy from a backward State.

The distribution of power between the States and the Centre is a delicate matter of adjustment and generally follows the

broad outline of the Government of India Act of 1935. The whole Constitution was modelled in large part after the same Act.

The Constitution of India provides unquestionably extraordinary powers to the Centre. Article 3 of the Constitution authorizes the Indian Parliament to form new States or to alter the boundaries of any State without obtaining the consent of the State or States concerned though their opinions might be asked for. Article 254 provides that if any law passed by a State Legislative Assembly is repugnant to a Statute of the Federal Parliament, the latter shall prevail. Besides such, many other provisions, Articles 352 to 360 provide emergency powers of suspending the administration of any State at any time. Moreover, all powers of the Centre and the States are listed under three lists—a Union list, a State list and a concurrent list, but always giving enough scope, if the situation arises, for central "intrusion" into the State affairs.

But the system is such that for development, the Centre is very much dependent on the States for implementation of many basic decisions and policies.¹ And in this process of development the plurality of identification of Indian States has greatly handicapped the development efforts ultimately leading to threats to the unity of the Nation. Norman D. Palmer has rightly pointed out:

"The States are (also) the strongholds of the growing opposition to the dominant

¹ For detail, Paul H. Appleby, "Public Administration in India: Report of a Survey", New Delhi, 1953, pp. 2-5 and p. 70. Also, Norman D. Palmer, "The Indian Political System", Boston, Houghton Mifflin Company, 1961, p. 180.

Congress Party and of the tendencies toward provincialism, and lingualism, strengthened by the reorganisation of the State boundaries along essentially linguistic lines . . . constitute major threats to the unity . . . of the Nation".²

It is, therefore, natural that unless this element of plurality of identification³ is well taken care of, no regional development plan involving States in the Eastern Region could expect a fair degree of success. But all these do not mean that there is no unity or cooperation between or among the governments. Conflicts do exist, and these are resolved either at National level or through the Zonal Council.

III. *The Zonal Council and its Appraisal*

Zonal Councils were created under the States Reorganisation Act of 1956 to resolve inter-state disputes. Accordingly, one such Council was created for the States of Bihar, West Bengal, Orissa and Assam (including Arunachal, Meghalaya, Nagaland, Manipur and Tripura), "to provide a forum for closer cooperation among the States included in each zone in matters of common concern which a state may wish to place before the Council".⁴

The membership of each Zonal Council consists of the national Home Minister as

Chairman to provide coordination at Federal level, the Chief Minister of each state, and two other ministers from each State selected by the Chief Minister of the State. The Chief Ministers are to function as Vice-Chairman of the Council by rotation and to hold office for a period of one year. The composition of the Zonal Councils also provides for the inclusion of certain national official advisers including a nominee of the Planning Commission, the Chief Secretaries and the Development Commissioners of all the States concerned. These advisers may participate in Council discussions and offer advice, but have no right to vote.

Each Council consists of a Secretary, a Joint Secretary and other subordinate administrative officials. The post of Secretary is rotated annually among the Chief Secretaries of the member states. The Joint Secretary of each Council is appointed by the Chairman (*i.e.*, the national Home Minister) of the Council and must be selected from the administrative cadre of a State which is not a member of the Zonal Council to which he is appointed. This is designed to produce impartiality perhaps borne out of mutual mistrust. All administrative expenses of operating the Councils are borne by the National Government out of monies voted annually by the Parliament.⁵

² Norman D. Palmer, *op. cit.*, p. 97.

³ In 1956, there was a proposal to merge Bengal and Bihar into a multi-lingual State which was ultimately dropped because of political agitation. For detail on plurality, see Myron Weiner, "The Politics of Scarcity", the University of Chicago Press, 1962, pp. 194-97.

⁴ Benjamin N. Schoenfeld, "Federalism in India", Washington, D. C., : Public Affairs Press, 1960, p. 17.

⁵ For detail, Indian Institute of Public Administration, "The Organisation of The Government of India", New Delhi, Asia Publishing House, 1958, pp. 11-15.

Provision has also been made for the holding of Joint meetings of two or more Zonal Councils to solve common problems. All Zonal Council meetings are held in the States included in the Zone and are rotated from State to State.

Appraisal of the Zonal Council—A review of the work of any Zonal Council in India will show that its principal role has so long been to carry out the programmes of the Centre developed in the National Capital. Zonal Council, so to say, is a tool to discuss the ways and means of implementing the policy of the Centre, particularly in the field of food, savings, conservation of water resources, etc. Such Councils also discuss regional problems affecting member States (like language, border dispute, water-shed development, food distribution, police protection, etc.) and the nation as a whole, but seldom reach a high degree of co-operation and consensus in other matters. Political unity of the States (in eastern region, all State Governments are being run by the ruling Congress Party) as well as substantial financial assistance from the Centre could not many times bring about a high degree of consensus in matters of vital regional importance. Functional disintegration of the Damodar Valley Corporation and the decision to establish an oil refinery in Assam, on the basis of local political agitation, rather than on national economic considerations, are only testimony to these realities. Strong provincial

feelings and narrow outlook may be responsible for many failures. Forces like religion, language, caste, economic power—all plead for greater State autonomy adding strength to the narrow outlook, thus affecting functioning of the Zonal Councils.

Another important limitation of the Zonal Council is that it is purely a political organization without any technical staff of its own and, therefore, is not capable of taking any decision on technical matters affecting member States. It is also a group of politicians rather than a political group. As a result, too many agencies or tribunals are proliferated⁶ under special Act of the Indian Parliament. Such factors have led many to question the validity of the claim of success of Zonal Councils outside the realm of the Central programmes, though it can safely be said that the existence of a Zonal Council in the Eastern Region has offered one more reason to consider Bihar, Orissa, West Bengal, Assam, etc., as belonging together for the purpose of regional cooperation in planning and development.

IV. *Existing Planning Process Background*

As earlier pointed out, in India the Union and the States have their distinct field of responsibilities written down under three distinct heads in the Indian Constitution : Union subjects, State subjects and Concurrent subjects. Planning

⁶ For example, "Inter-State Water Dispute Tribunals", "River-Boards", "Inter-State Councils", etc.

should, therefore, be effected by the position it occupies in the "subject list". In India, planning in its broadest sense falls within the Concurrent List.

In pre-independent days there was little national planning, though a start was made in 1946 with the establishment of an Advisory Planning Board by the then Government of India. On its recommendation, the Planning Commission of India was subsequently established in 1950 after independence.

The Planning Commission is primarily an advisory commission "to advise the Government of India in matters pertaining to planning and development".⁷

"The Planning Commission was given, for guidance, the directive principles of the Indian Constitution to promote the welfare of the people by securing social, economic and political justice. To win these objectives, the Commission's task is to assess the nation's resources, draw up a plan to use them with proper priorities and allocation, determine the conditions, machinery and adjustments needed to make the plan succeed; appraise the progress of the Plan from time to time and make any recommendations necessary to facilitate it".⁸

The Planning Commission makes recommendations to the Cabinet. In framing its recommendations, the Commission acts in close understanding and consultation

with the ministries of the Central Government and the governments of the States. The responsibility for taking and implementing decisions, however, rests with the Central and the State Governments.

The Planning Commission is a national organization which plans for the nation as a whole. It is an executive's tool for planning. The political element of the National Planning is taken care of by the National Development Council which consists of the Prime Minister, the Chief Ministers of the States and members of the Planning Commission and it decides the national policies affecting development. Planning at lower levels is done by the Development and Planning Departments of the State Governments in collaboration with State Planning Boards, by the programming units at the levels of districts, blocks, and public enterprises and made consistent with the national policies and plans. However, a satisfactory and rational working system is still to be evolved between the Development Department including the Town & Country Planning Department and the Planning Board of a State, both at District and at State levels.

The Planning Process—The planning process in India may be summarized as follows :

The Planning Commission, on the basis of goals laid down by the Union

⁷ The Indian Institute of Public Administration, *The Organisation of the Government of India*, Asia Publishing House, 1958, p. 346.

⁸ The Planning Commission, *The New India*, New York, The Macmillan Company, 1958, p. 66.

Government, prepares a perspective plan for period of 15 years. On its approval by the Government the plan forms the basis for the formulation of broad five-year plans.

On this broad guide, the study team of experts, representing Central ministries, technical organizations and the Planning Commission, prepare tentative plans, policies and programmes for all important sectors of development. At the same time, similar working groups are also set up in each State to form the counterparts of those working in the Centre and to give a picture of the prospective development plans in the State concerned. In addition, the Planning Commission also constitutes the so-called panels of experts outside the government to advise them on broader implications of the Plan.⁹

On the basis of the plans made by various study groups in the Centre and with the expert advice of the panels in mind, the Planning Commission prepares a Draft Memorandum on the Five Year Plan, which is published after approval by the Cabinet and the National Development Council. It then undergoes a process of discussion in the Parliament, in the press, and by all other interested parties and organizations. In the mean time, the Planning Commission continues its discussion in detail with the State Governments and the Central Ministries. In the light of such discussions the Planning Commission formulates the Plan and submits it to the Cabinet, the National Development

Council and the Parliament for final approval.

Simultaneously, the Development and Planning Departments of the States also prepare their own plans with the help of State Planning Boards on the basis of the programmes of their departments, districts and blocks, keeping in view the broad targets indicated in the Draft Outline of the Planning Commission. Subsequently, the figures of the Draft Outline are amended in the light of the discussion with the Planning Commission and ultimately it is the modified proposals of the State, District and Block authorities that form the basis for the formulation of the final Plan by the Planning Commission. After approval by the Parliament the Final Plan becomes "Official" and forms the backbone of all programmes and projects of all the States and other authorities.

V. Basic Conditions to be Satisfied for Suggested Solution Strategies

India's political structure, as indicated earlier, is built upon the concept of plurality of indentifications and the politicians try to exploit interests, sentiments and loyalties in such a way as to maximize their political opportunity. So, whatever is proposed for regional co-operation within the four States of Eastern India, has to be done with caution. With these in mind, the followings could be the strategies for proposing an organizational set-up for co-operation in Eastern Region:

⁹ For detail, Planning Commission, *The Planning Process*, The Government of India, 1963, p. 72.

1. The organizational structure should be such as to require as few changes in the existing governmental structure of the four States as possible.
2. The required legislation to achieve the above objective should be kept to a minimum and should be easy to enforce.
3. The organization should take into account the existing planning process as indicated earlier and should be simple, consistent and flexible in its implementation and operation.
4. The organization should be able to recognize the existing power groups and other interests in general policy formulation; and should be able to provide a means for cooperation taking into consideration of the State sensitivity.
5. The organization should be adaptable to the regional scope and should be able to diminish the problems of coordination.

Alternative Agencies at Regional Level

Taking into account the political and historical backgrounds, and keeping in mind the strategies formulated, it is possible to have only two types of organization :

1. Either a single-purpose multi-unit agency. By this term it is meant that the programming and execution of specific projects will be achieved through the cooperation of two or more administrative units, *i.e.*, States. This type of cooperation may be voluntary or

statutory, but the stress is on common interest rather than on the interests of a particular area or of the Centre. Voluntary cooperation is, however, not unknown in this region, particularly in the struggle against natural calamities, but how far this could be achieved in regional planning and development on voluntary basis is a matter of conjecture and debate even after twenty seven years of Independence.

2. Or, a Comprehensive Planning Agency : In this type all cooperating units are considered as one entity for purposes of economic, social and physical development. It is born out of the conviction that not only politically, but also, because of the limited financial means of each separate State and because of economics of scale, scarcity of resources, the products of cooperation will be greater than the sum of the products of the separate units. It, therefore, seems logical to have one agency to embody this kind of cooperation. What kind of organization this should be and what will be its functions and powers, will depend on what the constituent units or States want as well as on the prevailing circumstances in the region. As is natural, such a suggestion requires complete consensus among the participating States and under the prevailing situation such a chance seems to be not readily forthcoming.

Before any type of cooperation is contemplated among the States of the Eastern Region, two important questions must first be answered by them :

- (a) Should the cooperation among the States of the Region take the form of a "Supra-State-Agency" inserted or introduced between the Union Government and State Governments or should the existing situation be accepted as given? and
- (b) Should the cooperation take the form of comprehensive planning in the Region or should the development be on the basis of some special purpose based on common interests of the States concerned?

Analysing from different angles, the main disadvantages of a Supra-Agency could be listed as follows :

- (a) It is difficult to visualize the existence of a new structure of the kind proposed in the form of supra agency in between the Union and the States within the existing framework of federalism. Besides being difficult to achieve, such a consensus among the States, this arrangement requires compulsory change in the Constitution which is an extremely difficult proposition.
- (b) Moreover, an extra agency between the Planning Commission and Central Ministries on one hand, and planning departments of the States on the other, does not smoothly fit into the existing planning process and might only complicate matters by bringing such an intermediary body into the existing planning process.

- (c) Thirdly, it is very doubtful whether the States concerned will feel enthusiastic in giving up substantially some of their already limited prerogatives and advantages for the sake of regional planning which is yet to prove to each State that such a step would bring much good to them because of such cooperation. The only advantage of such an agency seems to be the possibility of having a comprehensive technical regional approach to inter-state problems. It might, therefore, be unwise for political, legal and practical reasons to propose such a comprehensive agency under the present pluralistic situation where any step beyond advice and voluntary cooperation will likely be met with great suspicion and opposition from all corners.

Suggestions

In order to be able to accomplish cooperation necessary for the studies and investigations as bases for proposals and to work out programmes voluntarily agreed upon, the need for a permanent organization, however, in the Eastern Region of India is well recognized. Such an organization, in order to be acceptable to the States and to have the necessary knowledge of local and regional circumstances, should be consisting of representatives of the States concerned with adequate power and authority to effectively participate in decision-making process. And for this purpose, the existing *Zonal Council* could

be used profitably with some extension and modification to suit its new tasks. The greatest advantage of accepting the Zonal Council as the organization for regional cooperation among states, lies in the fact that the preparation as well as execution of programmes should be much easier, since the Council consists of the Chief Ministers of all the States in the Eastern Region. What exactly would be the programme of development of the Council depends on the answer to the question as to whether regional planning would be done in a comprehensive way or for one or more special purposes only.

The existing planning process in India with its subject-wise approach seems to suggest that the latter set-up is more rational at present than a comprehensive general purpose agency, unless such an agency has a specialized working group with adequate legal and constitutional power to reasonably achieve its objective.

Such special purpose or *ad hoc* approach by the Zonal Council might have some initial disadvantages. With the increase in number of such special purposes affecting the region, it may be difficult to achieve consistent inter-relationships among them and might not give a totality of picture in terms of balanced regional development. It may, therefore, be argued that much usefulness could be derived if the existing regional agency is used for successful coordination of all the developmental and planning programmes in their broadest sense and operating within the region. This suggestion could, however, include an element of strategy in its

implementation and may involve inclusion of such elements by stages, if necessitated and accepted by all the States concerned for overall coordination and guidance of regional developments. And Zonal Council, with its political flexibility based on consensus, provides an excellent opportunity to use it as the Regional Authority for a single purpose at present but ultimately leading to a comprehensive development programming body of the Eastern Region. If this Council could be provided with adequate technical staff from the four States in different fields, regional cooperation could take a practical shape. The greatest strategy in this suggestion lies in the fact that the idea does not antagonize anybody and has a hopeful chance of its acceptance by all the States concerned without much legal and constitutional changes. Such an arrangement provides reasonable promise to serve the interests of the State Governments without harming the interests of any one State. Moreover, if agreed on by all the member States, such an organisation even does not require legal and constitutional changes, because a framework for cooperation through the Zonal Council is already in existence.

The actual working hypothesis of the Zonal Council may be tentatively set as follows :

1. All the State Governments involved should assign a top level qualified and experienced Planner to represent the State on the policy panel of the Zonal Council.
2. There should be a technical panel of experts to accomplish, with the

help of other full-time professionals, programmes and present the alternatives to the policy panel for examination and final selection.

3. On the basis of programmes selected by the Policy Panel, each State should implement them with the help of technical panel, leaving of course the technical details of approach and solution to the States concerned. If the States agree on the basic elements of the programme, modifications within the State context become unimportant to the overall purpose of the developments.
4. The Zonal Council, through its technical panels, would continue to

advise the working groups at State level and provide for coordination.

5. The member of the Planning Commission, who is at present providing coordination between the Zonal Council and the Commission, will continue to do so.

The above framework is a hypothesis for the likely solution of intergovernmental development problems, but is not a programme and does not provide for any other administrative dimensions (of cost, personnel, etc.) for its effectuation. However, it provides a basic framework which, if accepted by all the States of the Eastern region, could help in formulating the strategies necessary for balanced regional development of the Eastern Region of India.



RAMESH K. ARORA

SHASHI MATHUR

Slum Clearance in Jaipur: Policies, Problems and Priorities

WITH the increasing growth of urbanization and industrialization, a multitude of people is flocking towards the cities in search of jobs and better living. Providing adequate housing facilities to this great number of migrants remains a challenging task. As a result all the big cities of the world today are dotted with squalid slum localities. Though the world 'slum' has acquired a world-wide usage, it has not been precisely defined so far. However, a "slum is usually understood to be an area of overcrowded, squalid, closely built and unhygienic housing."¹ A.R. Desai and S. Devdas Pillai regard slum as "basically an area of darkness, despair and poverty."² Thus slum is a "squalid festering morass of lost hope, debased standard and despair which generate a morbid mentality and blunts community consciousness and aesthetic values."³ Amidst the squalid physical surroundings the slum dwellers lead a debased life. Slums in Jaipur do

not offer a different picture from the one described here.

Jaipur has patches of dirty slums which detract from the beauty of the city. Here the people live in unhygienic conditions deprived of the essential amenities of life and in perpetual dread of the inevitable natural occurrences like heavy rains and storms. Most of these slums are located on the periphery of the city. A large number of slum-dwellers are migrant from the neighbouring villages. Coming in search of better jobs, these persons squatted wherever they found a little space, changing their abode very often. Most of the slum-dwellers belong to the working class and are motor mechanics, rickshaw-pullers, harijans and labourers surviving on daily wages.

The Sordid Conditions

According to a survey conducted in 1971 by the Urban Improvement Trust of

¹ "Slums and Slum Clearance" in *Encyclopaedia of Urban Planning*, edited by Arnold Whittick, New York, McGraw Hill, 1974, p. 905.

² "Introduction" in A.R. Desai and S.D. Pillai, eds., *Slums and Urbanization*, Bombay, Popular Prakashan, 1970, p. iii.

³ S.K. Gupta, "Slums" in *Encyclopaedia of Social Work*, Volume I, New Delhi, Government of India, 1968, p. 210.

Jaipur, there were (and still are) 109 slum localities within the municipal limits of Jaipur. Out of these, 73 are under the jurisdiction of Urban Improvement Trust and the remaining 36 are in the Jaipur Municipal Council limits. However there do remain other slum areas which were not included in the 1971 survey. Many of these have grown on privately owned land.

In official jargon, *Katchi basties* of Jaipur have been accepted as synonyms of "slums." Yet there are numerous *pucki basties* which for the purpose of slum clearance programme alone have been categorized as *Katchi basties*. However, the conditions of living in these localities are no less sordid than those found in areas littered with *katcha* houses.

In 1971, as Table 1 reveals, 96,604 persons constituting 15.8 per cent of the city's population lived in these slums. The slum population consisted of 20,661 households living in 37,441 houses. It also indicates that the respective average figures for the number of persons per house in the slums, outside the slums, and in the city taken as a whole were 2.6, 8.0 and 6.1. This statistics reveals that people in the slum areas are living in less congested houses than those in the non-slum regions. However, the slums are generally one-room tenements—very often *kutcha*—while other parts of the city have multi-storeyed *pukka* houses. As such the average of 2.6 persons per house in the slums could be taken as equivalent to 2.6 persons per room in the big houses in the areas outside the *katchi basties*.

Regarding the occupancy status of slum-dwellers, it was found that almost all the slums had mushroomed on illegally occupied government land. These slum localities had developed haphazardly, presenting an unpleasant picture of poor inhabitants living in squalid surroundings.

The Task of Urban Renewal

The survey conducted by the Urban Improvement Trust, Jaipur was a prelude to the main task of converting *katchi basties* into more livable localities. In fact, Urban renewal has become a challenging problem for the Government because it involves the development of a large number of *katchi basties*. Removing the squalor from the *katchi basties* and providing civic amenities to nearly one lac people living in these localities is a herculean task. Since 1971 the Government has been paying greater attention to the development of these areas. The immediate objective in this context is to rehabilitate the slum-dwellers in the same *basti* that they have been living in for years by giving plots of land at cheaper rates and also to provide *pukka* roads, water and electricity in these areas. To achieve this goal, the Urban Improvement Trust, Jaipur Municipal Council, Rajasthan State Housing Board and several co-operative housing societies are working in a concerted manner. A special cell has been created in the U.I.T. to deal with the problems related to the development of *katchi basties*. This cell consists of two executive engineers, nine assistant engineers and 40 overseers. Considering the increasing role

of housing co-operative societies, two co-operative inspectors have been appointed to supervise the functioning of these bodies.

On the twenty-fifth anniversary of India's Independence the Rajasthan Government had declared that it would provide public taps and electric connections in all the *katchi basties*. Following this declaration a sum of Rupees five lacs was granted by the State Government for the development of *katchi basties* in the year 1972-73. Initially the Urban Improvement Trust selected 13 *katchi basties* for this purpose. The amount was utilized in constructing *pucka* roads and drains in the following slum localities :

1. Amritpuri
2. Dhannadas Ki Bagichi
3. Baees Godam
4. Madrampura
5. Fakiron Ki Basti
6. Barodia Basti.
7. Sikar House
8. Painter Colony
9. Nayakon Ki Basti
10. Hasanpura Harijan Basti
11. Hasanpura Raigar Basti
12. Kassabpura
13. Nataniyon Ka Bagh

Despite the State Government's keenness to develop all the *katchi basties* it found itself handicapped in financial

matters. Therefore, it sought the help of the Central Government for the provision of sufficient funds to enable it to execute its overall plan of urban renewal.

Central Assistance, E. I. P. and Planned Development

It may be interesting to note that the city of Jaipur was included in the Environment Improvement Programme (E.I.P.) of the Central Government and under this programme five projects were prepared, the first one having been drawn up in March, 1973 for six *katchi basties*; later, one more project was added and these six projects were sanctioned a sum of Rs. 98,18,763 by the Central Government. Sixty *katchi basties* with a population of 82,215 were covered under these projects. Details regarding these are presented in the Table 2. Scheme for the seventh project for additional 13 *katchi basties* covering about 10,000 persons and involving an estimated expenditure of approximately Rs. 17 lacs was in the finalization stage at the beginning of September, 1976.

The Environmental Improvement Programme initially aimed at providing $4\frac{1}{2}' \times 8'$ wide *pucka* roads, public stand posts for drinking water, street lights, public bathrooms and toilets and a drainage system. But it was realized that taking up developmental work as envisaged under Environmental Improvement Programme alone would not solve the problems of slum dwellers. Therefore it was decided that planned development work should be undertaken in these

katchi basties by the U.I.T. to provide the following facilities :

1. Pucka roads : In the original Environmental Improvement Programme scheme, the road construction did not envisage any redesigning of road sites through a system of planned development; only the existing *kutch* roads were to be converted into *pucka* roads. However, the U.I.T. modified the Environmental Improvement Programme scheme and decided to lay out roads of 20' width with only 8' being made *pucka* for the time being and the rest of it to be developed later according to the resource position of the Trust.
2. Public stand posts for drinking water
3. Street lights
4. Drainage system
5. Parks and other public utilities
6. Formation of housing co-operative societies
7. Distribution of *pattas* (allotment letters) for plots at concessional rates.
8. Allotment of equal size plots
9. Construction of *pucka* houses in a planned manner through the loan made available by the Rajasthan State Co-operative Housing Finance Society Ltd.

The Urban Improvement Trust had taken up work in 45 *katchi basties* but its activities in a large number of these have remained incomplete, as the money was spent according to "planned develop-

ment" and not in the manner envisaged in the Environmental Improvement scheme. For completing this work an additional sum of Rs. 22,92,000 is required for which a request is pending with the State Government. The project at Nahari ka Naka is faced with a particular problem, that of removing massive sand-dunes. "Planned development" cannot continue until these sand-dunes are levelled and it is estimated that levelling of sand-dunes would cost nearly Rupees 200 lacs. Therefore, for the time being the U.I.T. has excluded these *basties* from the development work and has taken up operations in other *katchi basties*.

The Slum Clearance Programme

In addition to the Environmental Improvement Programme of the Central Government, a Slum Clearance Programme was started at the initiative of late Chief Minister Shri Barkatullah Khan on 21 August 1971. He announced that all the slum dwellers would be allotted plots of land if they did not possess any other plot in the city. The U.I.T. was entrusted with the responsibility of implementing this declared policy. A survey was conducted by the Collector of Jaipur from 16 to 20 September 1971 in all the *katchi basties* to ascertain the number of households in these *basties*. The household heads were allotted a survey number so that the distribution of plots could be facilitated and no other person could take advantage of the schemes. Initially the State Government sanctioned Rupees five lacs for this programme and twenty-one slum localities were selected for this purpose.

Allotments and Loans

Active participation of the slum-dwellers was considered essential for the success of this programme. Appropriately, therefore, they were encouraged to organize housing co-operative societies which would facilitate the construction of *pukka* houses. Such co-operative societies are registered with the Registrar of Co-operative Societies after the verification of the following two points by the Urban Improvement Trust :

- (i) that the land where the *katchi basti* is located is government land, and
- (ii) at least 17 members should be possessing the survey numbers.

After a housing co-operative society is registered and the office bearers elected in the presence of cooperative inspectors, there are chances that some non-residents may also become its 'members' by employing underhand means. As a safeguard against this practice a list of the members of the society is published in the leading newspapers and objections over the list and new claims are invited. These claims and objections are dealt with in *jalsa-aam* on a notified date. The City Magistrate, the Secretary of Urban Improvement Trust, Executive Engineer-I, Executive Engineer-II and Deputy Town Planner attend the *jalsa-aam* to settle claims for the allotment of plots.

Looking to the number of residents in *katchi basties* and availability of land the size of the plot is limited to an area of 60 to 111 sq. yards. The allotments are made

at a very cheap rate, *i.e.*, three rupees per sq. yard. By the end of May 1976, 5785 plots had been allotted in various *katchi basties*. Four types of houses were proposed to be constructed for these *katchi basties*, three of them costing about Rs. 4,700 each. These houses consist of one bed-room, one multi-purpose room and a bathroom, covering an area of 245 sq. feet and costing Rs. 18 per square foot.

But it was soon realized that the sum of Rs. 4,700 is not within the easy reach of a slum dweller. It is interesting to note that a study group was sent to Kerala to study the models of houses costing only Rs. 1,300 each. On the basis of this study a new model costing Rs. 2,500 was evolved for the *katchi basties* of Jaipur.

To grant loan facilities for constructing houses in *katchi basties*, the Rajasthan State Housing Finance Co-operative Society has offered its services. The Society grants loans up to Rs. 4,000 to housing co-operative societies. It has also played an active role in persuading the slum-dwellers to organize housing co-operative societies. Moreover, U.I.T.'s *katchi basti* cell provides assistance to slum-dwellers right from the stage of registration to that of putting up applications for the loan.

Facilities to the Scheduled Castes and Scheduled Tribes

The Scheduled Castes and Scheduled Tribes being the weaker sections of the society, have been given special privileges by the State Government. The Social Welfare Department of the State has

sanctioned Rs. 300 to each Scheduled Caste family for the construction of *pukka* houses. A Scheduled Caste or Scheduled Tribe person has to contribute Rs. 100 only as his share to the co-operative housing society while others have to pay Rs. 480. Moreover, the Rajasthan State Co-operative Housing Finance Society Ltd. provides interest-free loans to the Scheduled Caste and Scheduled Tribe families.

The Problem Areas

A growing city can always learn from the experience of those metropolitan areas which have already suffered the pangs of chaotic urbanization. Relatively speaking, slums in Jaipur do not present a very dismal picture, although the fact remains that their eradication requires urgent and concerted action on the part of the urban authorities. The immediate task before these authorities is to convert the existing slum areas into more inhabitable places as also to prevent the future growth of slums in the city.

Uprooting the 'Surplus' Population. As already mentioned, the slum removal programme initiated in Jaipur in 1971 has a unique characteristic. While in most of the other Indian cities efforts are directed towards the eradication of slums by shifting the slum population to absolutely newer places, in Jaipur, on the other hand, attempts have been made to rehabilitate the slum-dwellers in those very localities where they had been living for years. This policy implies a two-fold advantage : it does not disrupt the pattern of services provided by the erstwhile slum dwellers to

the neighbouring communities and secondly, the system recognizes the slum dwellers' love for their land. Nevertheless the policy pursued by the State Government is not without its share of blemishes. To convert the congested slum localities into planned colonies, more land is required and therefore all the residents cannot be rehabilitated in the same *basties* in which they had been living. The 'surplus' residents who have to be uprooted from their occupied land are extremely reluctant to cooperate with the authorities.

Removing Illegal Occupancy. Presently the biggest problem facing U.I.T. is to dislodge the squatters who have illegally occupied plot of land in *Katchi basties* since August 1971. As these squatters are not entitled to receive plots they hinder the development work and also provoke others not to cooperate with the authorities. When a road is constructed the settlements coming in the way are shifted to other places. But these squatters refuse to move from their living place and thus obstruct the construction work. Attempts by the authorities to persuade them often prove futile and they have to take recourse to police force. Thus the U.I.T. requires greater authority to implement its programme of rehabilitating the slum dwellers in a planned manner.

Absence of Compulsory Legislation. At present there is no compulsory slum clearance legislation in the State and therefore the Government has to rely on request, persuasion and influence to achieve the cooperation of the slum-dwellers. There

are certain vested interests who obstruct the implementation of development schemes in *katchi basties*. For instance, many non-residents attempt to grab land at cheap rates in these *basties* by using underhand means. In most *katchi basties*, a large number of persons have squatted after 1971, though as per the declared policy they are not entitled to get plots of land in these *basties*. Whenever any decision is taken against the interests of these intruders, they are likely to impede the progress of developmental schemes by taking recourse to dilatory measures including litigation.

Acquiring Private Land. The areas declared *katchi basties* contain several patches of private land. Settlements in these places cannot be legalized unless the Government acquires this land from private owners. Due to paucity of funds this land has not been taken over by U.I.T. Disputes over these plots of land obstruct the implementation of the declared policy of settling the inhabitants in the same *basti* that they have been living in since 1970 or before. The residents cannot be allotted plots of land unless the Government takes over the possession of this land. For example, in Shivnagar—a *katchi basti*—31000 square yards of land is under dispute and the people dwelling in this area are still without their own plots. Besides, it may be suggested that efforts should be made by U.I.T. to acquire land at Jhalana Doongar from the forest department and also the land behind leprosy hospital on Agra road.

Shortage of Civic Amenities. There is also a pressing need for schools, hospitals,

and recreational facilities in the slum localities. But presently the Government has confined its schemes to providing *pucka* houses, roads, water and electricity in these *basties*. Attempts are also being made by voluntary organizations to start some dispensaries in these localities. The urbanization of an area requires the active cooperation of the Government, voluntary organizations and the people. In Jaipur, however, there appears to be very little visible contribution made by the non-governmental sector. The cooperative sector can contribute significantly to the inculcation of greater consciousness for self-help among people and thus assist in making the new localities ideal places for healthy living.

Uncleanliness. Uncleanliness permeates throughout the slum areas. Heaps of garbage, streaming filthy water and the roads constantly covered with slush are characteristic features of a slum area in Jaipur. The prime cause of this unpleasant sight is the absence of an effective drainage system which is a pre-requisite to keep the slum areas neat and the constructed roads intact. While under the E.I.P., *pucka* roads have been constructed and public taps installed, inadequate attention has been paid to drain the water out of these areas. There are *pucka* lanes in several *basties* but they are devoid of drainage facilities for outlet of the collected water. Consequently slushy water forms itself into small pools. Moreover the roads constructed with much effort are being worn out by the constant flow of water. Topkhana Desh is one such area where the dirt and filth have become

a permanent eyesore. Though the locality has many spacious buildings of rich businessmen, uncleanness has not been swept away. The main problem of the area is that though the *pucka* lanes have been constructed, there are no drains. This blocks the water on the roads. Over the period the situation has worsened and though not originally a slum area, this locality has now turned into one. Today its inhabitants have to dwell amidst squalor. The insufferable smell smothering the whole area cannot be ignored. The poodles of blackened water can be crossed only by stepping on the stones improvised for pedestrians' convenience. The large number of stray pigs loitering in the region add to the pervasive uncleanness.

The public taps though very useful to the residents have become surrounded with mud and filth. There is no outlet for the flowing water which forms a peninsula around the tap. Pollution is a natural consequence of this filth. The parks in the *basti* are also in a similar state. The fenced boundary walls enclosing the parks are littered with dumps. The surrounding uncleanness makes it hard to believe that parks like these can serve as the lungs of the city.

Developing Community Consciousness. Cleanliness of a *basti* should not solely rely upon municipality or any other external authority. It is the duty of the inhabitants to keep their locality neat and clean. Only with the continual efforts of the dwellers can a locality remain a clean place. Slum mentality of the dwellers needs to be changed. Their passive acceptance of the vegetating conditions of dirt and

squalor should be replaced by a new awareness of responsible citizenship. Growth of slums can be checked by imparting social education to the slum dwellers. Bairwa Basti within Topkhana Hazuri is a fine example of this. The *basti* is kept spick and span by the residents themselves. There are *pucka* lanes and drains which are regularly cleaned. In the centre there is a beautiful temple with an extensive floor which is used for community meetings.

Scarcity of Financial Resources. Development of *Katchi basties* is a herculean task and very often the Government has to face serious problems in achieving the targeted results in this particular sphere. Sixty *Katchi basties* in the city have been included in the development programmes while 47 are still left out and remain to be included in future projects. For the development of these remaining slum localities a sum of Rs. 125 lacs will be required. Notably, an expenditure of Rs. 150 per person has been proposed under the Environmental Improvement Programme.

Determining Market Rate for Land. Many problems remain even after the land is allotted to the slum dwellers. Many problems crop up regarding *nazrana* rates and the availability of loan. According to the Government decision of June 1975 the *Katchi basti* dwellers should be charged Rs. three per sq. yard for the first 111sq. yards and for the rest of land in possession of the dwellers, market rates should be charged. The major decision to be taken is to decide whether the market rate should be current or that prevailing in 1971. Moreover, it is difficult to determine the market rate

for *Katchi basti* plots because so far there have been no auction of land in these localities. If the rates current in the surrounding areas are charged, they will be exorbitant for most of the slum dwellers.

Involving Private Agencies. A large number of localities are inhabited by industrial workers. Unwillingness on the part of the employers to arrange for adequate accommodation to such workers has also been a factor in the growth of slum areas. The employees importing labour force from the suburban areas should provide sanitary living conditions to their workers. It is only with the involvement of private agencies that the Government can speed up the slum clearance programme in the city.

Reassessing Housing Requirements. The prevailing notion which is also implied in the slum clearance policy is that every slum dweller must have a house of his own. This really is impracticable. Moreover, the migrant slum dwellers do not bring all of their family members to the city and they still have their belongings—and generally a house too—in their villages. Those residents should be provided suitable living accommodation at reasonable rent. Such an accommodation for a large number of people can be provided by co-operatives, corporations and governmental authorities.

Preventing New Slums. To prevent future growth of slums the migrants should not be allowed to squat in slum areas. Certain receiving shelters should be set up where the minimum requirements of people are catered to at reasonable rates. At the second stage when the person has secured a suitable job, basic accommodation should be pro-

vided to him near his place of work. The rent paid by him should be in keeping with his meagre earning. The final stage will be to bestow ownership upon the person who has strengthened his economic position and is capable of having his own house.

Priorities. A permanent solution to the problem of "slum development" requires a fixation of priorities, keeping in view the specific exigencies of a particular slum area. For a city of the size of Jaipur the following need-patterns can be identified.

1. Short-term or immediate needs would include supply of drinking water, electricity, access roads and provision for sanitation.

2. Second preference would comprise community facilities, schools, health centres, public parks and transport facilities.

3. Long-term needs would consist of slowing the process of migration, improving urban-rural balance, providing employment opportunities to the inhabitants, specially by extending loan facilities for setting up small scale industries and rendering vocational assistance to the people in order to make them self supportive. The land use plan for a particular region should be prepared in conformity with local conditions and requirements. Plots of land should be allotted to the slum-dwellers on the condition that the Government will take back the land if it is not used in the expected manner.

In fact, the ultimate goal is to integrate the erstwhile slums areas with the rest of urban communities and for this, generation of consciousness regarding healthy modes of living among the inhabitant is a prerequisite.

TABLE 1

**Number of Slums in Jaipur City, alongwith Distribution of Population, Occupied Houses, Household and Persons per House
Inside and Outside Slums (1971)**

No. of Slums	City Population			No. of Occupied Houses in the City			No. of Households in the City			Persons per House in the City		
	In slums	Outside slums	Total	In slums	Outside slums	Total	In slums	Outside slums	Total	In slums	Outside slums	Total
109	96,604	513,968	610,572	37,441	62,623	100,064	20,661	87,324	107,985	2.6	8.0	6.1
	(15.8)*	(84.2)	(100.0)	(37.4)	(62.6)	(100.0)	(28.4)	(71.6)	(100.0)			

*Figures in parentheses denote percentages.

Source : On the basis of the data provided by the U.I.T, Jaipur, the Office of the Chief Town Planner and the Jaipur Municipal Council
"Programme for Integrated Services for Children and Youth in the City of Jaipur" (Jaipur Department of Sociology, University
of Rajasthan, 1972), Mimeographed, p. 370.

TABLE 2

Number of Basties, Population Covered and the Financial Outlay under the E.I.P. Projects

(As on 31 May 1975)

Project	No. of Basties			Population covered	Amount sanctioned (in Rupees)	Amount spent (in Rupees)
	In UIT Area	In Municipal Area	Total			
First	6	—	6	10,464	12,30,110	14,48,000
Second	3	—	3	11,894	12,58,000	11,91,335
Third	9	3	12	19,330	22,18,353	20,72,782
Fourth	4	1	5	7,706	8,43,500	10,24,811
Fifth	6	13	19	12,932	13,32,000	12,54,246
Sixth	4	11	15	19,889	29,36,800	15,09,494
Total	32	28	60	82,215	98,18,763	85,00,668

Source : Urban Improvement Trust, Jaipur.

Rent Control, Housing and Property Taxation

APPOINTED in pursuance of a resolution of the Central Council of Local-Self Government in 1962, a Minister's Committee on the "Augmentation of Financial Resources of Urban Local Bodies" had the following observations to make :

"Property tax is at present based on the annual rental value of the lands and buildings, *i.e.*, it is either based on the actual rent which the landlord receives for the building or it is based on reasonable rent which a hypothetical tenant may be expected to pay to the landlord. There have been several judicial decisions according to which the Standard Rent, fixed under the Rent Control Act by the Rent Controller, should be deemed to be the reasonable rent for purposes of assessment of the property for municipal taxation. As a result of these decisions, the annual rental value of almost all urban properties have remained frozen and the property tax which normally should have been a very flexible and growing source of revenue for the urban local bodies, has not been yielding the best possible results. In England, the Rent Control Act does not in any way restrict the valuation of a property for levying rates. The rent prescribed by

the Rent Control Act restricts only the rent that any occupier has to pay to the owner of the premises. It does not in any way restrict the Central Valuation Agency from estimating the reasonable annual rental value for the purpose of working out the local rates."¹

They, therefore, recommended that property tax should be freed from the restrictive influence of the Rent Control Acts by either: (a) imposing a surcharge of 25 per cent on the existing property tax the burden of which should be shifted on to the tenant; or (b) Municipal as well as Rent Control Acts may make suitable provision to enable recovery of the difference between the property tax based on reasonable annual rental value and that based on the Standard Rent from the owner but allow him recover the same from the tenant as arrears of rent.

Comments on the Report received from the State Governments were placed before the meeting of the Central Council held in December, 1972.² While most State Governments expressed their agreement, others referred to the legal aspects involved and further burden that this proposal may cause in view of some steps already

¹ Report of the Committee, November, 1963, Government of India, Manager of Publications, Delhi, p. 39.

² Proceedings of the Twelfth Meeting of the Central Council of Local Self-Government, 1967, Ministry of Health, F. P. and U.D., Government of India, New Delhi, pp. 65-66.

being taken to permit increase of rent by 15 to 25 per cent. By its resolution No. 16 the Council referred the comments on the entire Report to a Committee consisting of Member, Planning Commission, Union Deputy Minister of Health and Minister for Urban Development Maharashtra.³ The recommendations of the Committee were placed before the Thirteenth meeting of the Council held in 1970.⁴ With regard to Rent Control it was felt that the matter needed further study by the Ministry of Works and Housing, the Planning Commission and the Law Ministry. This question was raised also in the Joint Meeting of the Executive Committees of the Central Council of LSG and the All India Council of Mayors held on September 4, 1971 and discussed again at the Third Joint Meeting of the full Council and the Mayors Executive Committee on September 8, 1972. It was felt that a totally new approach was called for. The interests of the city would have priority over the interests of the individual tenant and there was a case for setting up a study group to go into this problem from all angles. It was resolved by the Joint Meeting that :

“the Planning Commission be requested to set up a Study Group to go into various aspects of the Rent Control Act

and their effects on the resources of the local bodies in particular and development of the City in general. The study Group may recommend how the resources of the local bodies can be raised by suitable amendment of the Rent Control Act while protecting the legitimate interests of the tenant. It may also suggest measures for ensuring adequate contribution from the people who enjoy the services in full measure but do not adequately pay for them as a result of the provisions of the Rent Control Act.”⁵

The Planning Commission, however, asked the Ministry of Works and Housing to take appropriate action as the matter concerned housing and urban development. An inter-departmental meeting was held in July, 1973⁶ when the National Building Organisation was asked to draw up a note on the subject. As they could not undertake the study, the Indian Institute of Public Administration was entrusted with the task.

Broadly speaking, it is possible to approach the issue of the effects of Rent Control legislation from the following three angles :

(i) policy objectives and the citizen both as houseowner and tenant;

³ Proceedings of the *Twelfth Meeting of the Central Council of Local Self-Government, 1967*, op. cit., p. 135.

⁴ Proceedings of the Thirteenth Meeting of Central Council of LSG November, 1970, Ministry of Health, F. P. & U. D., pp. 72-74.

⁵ Decision No. 1, Summary of Discussion of the Joint Meeting, Ministry of Health and F.P., (Mimeo.), p. 3.

⁶ Agenda for the fourth Joint Meeting of the Central Council of LSG and Executive Committee of the All India Council of Mayors held on Sept. 22, 1974, (mimeo.), p. 16.

- (ii) effects of rent control on the housing stock and its continued supply; and
- (iii) its effect on municipal finances.

The first two issues tend to merge with each other and were the subject of some studies sponsored during the sixties by the National Building Organisation, Ministry of Works and Housing, Government of India.⁷ The Indian Institute of Economics prepared at the instance of NBO, a report on "Production of Housing as a result of Control/Decontrol of Rent in Hyderabad City" in 1966. 'A Study of Return on Housing Investment in Calcutta' during the years 1963-65 by the Calcutta University was also supported by NBO. These were followed by studies of the impact of rent control on housing construction, sponsored by NBO in the metropolitan cities of Calcutta, Bombay, Madras and Delhi.⁸ The objectives of these studies were set out by the NBO as follows :

"(1) to evaluate the effect of control/decontrol of rent on the production of housing; (2) to determine whether or not rent control is to be introduced; and (3) if rent control is to be introduced, to determine the model provisions for rent control alongwith built-in flexibility evolve a suitable administrative machinery for its effective enforcement."

Regarding the third aspect of the effect of rent control on municipal revenues, the question has been raised by a number of Committees and Commissions, the latest being the Report of the Municipal Finance Commission submitted to the Government of Maharashtra in 1974. Following a decision by the Joint Meeting of the Executive Committee of the Central Council of LSG and the Executive of the All India Council of Mayors held in September 1971, studies of under-assessment were carried out but by the Regional Centres for Municipal Administration in respect of Calcutta, Bombay, Lucknow and Ahmedabad which included effects of rent control on assessment of annual rental value for purposes of municipal taxation. These reports alongwith a detailed analysis of the provision of Rent Control Acts in various States regarding fair rent/standard rent have been utilised for the purposes of the present note.

The focus of this study is on the effects of rent control on municipal revenues. But the other two aspects have, apart from their importance to urban conditions, certain relevance to assessment of annual value of properties.

Policy Objectives of Rent Control

Following the English legislation of 1915, the Bombay Rent (War Restrictions)

⁷ Technical Report No. 19, NBO and UN (ECAFE) Regional Housing Centre.

⁸ Foreword to Technical Report, No., *Impact of Rent Control on Housing Construction*, Calcutta. Technical Report No. 25, *Rent Control and Housing Construction in Bombay*, National Building Organisation, Government of India and UN (ECAFE) Regional Housing Centre. Also see *Rent Control and Housing in Delhi*—A. Datta, Indian Institute of Public Administration, New Delhi, p. 4.

Act, 1918 and the Calcutta Rent Act, 1920 were passed. The objects and reasons for the Calcutta Act were that because of reduction in construction activity due to war housing accommodation was unequal to the demand and the landlords were charging exorbitant rents. It was considered necessary to protect the tenants till economic rents took the place of scarcity or monopoly rent.⁹ These were temporary measures against rack-renting. The Bombay Act lapsed in 1925 and the Calcutta Act, in 1927.

The measures were revived in 1939 in Bombay and in 1942 in Calcutta during the Second World War.¹⁰ followed by similar enactments in other provinces of India. Some of these laws have continued with slight amendments, while others have been amended, consolidated or even replaced by fresh legislations giving them a more or less permanent character. The latest of these is the U.P. Urban Buildings (Regulation of Letting Rent and Eviction) Act, 1972, replacing the U. P. Temporary Control of Rent and Eviction Act of 1947. A number of Acts are time-bound fixing the date of expiry in the Act itself, which is extended by the legislature from time to time. For instance, the Bombay legislation of 1947 has been extended several times and is now due to expire on March 31, 1976. A committee has

been set up by the Maharashtra Government to review the position.

In Delhi as in other parts of the country, rent control measures were first introduced under the Defence of India Rules in 1939.¹¹ The provisions of the Punjab Urban Rent Restriction Act, 1941 were extended to Delhi in 1942 supplemented by further orders under the Defence of India Rules in 1944. A comprehensive legislation was the Delhi and Ajmer-Marwara Rent Control Act of 1947 which was modified in 1952 and 1956 and finally replaced by the Delhi Rent Control Act, 1958,¹² with the following objectives:

- (a) to devise a suitable machinery for expeditious adjudication of proceedings between landlords and tenants;
- (b) to provide for the determination of the standard rent payable by tenants of the various categories of premises which should be fair to the tenants, and at the same time, provide incentive for keeping the existing houses in good repairs, and for further investment in house construction; and
- (c) to give tenants a large measure of protection against eviction.

It is interesting to note that the objectives include keeping the house in good

⁹ Foreword to Technical Report, *Impact of Rent Control on Housing Construction*, Calcutta, *op. cit.*, Calcutta Report, p. 2-3.

¹⁰ *ibid.*, Bombay Report, p. 1 and Calcutta Report, p. 3.

¹¹ *ibid.*, Delhi Report, p. 8.

¹² All India Rent Control Manual, by S.L. Bahi, Federal Law Depot, Delhi, 1969, p. 149.

repair and ensure investment in house construction.

How far have the primary objectives of rent control legislation to give protection to tenants been fulfilled? There is a feeling that most of the existing enactments are outmoded. The circumstances have substantially changed and the protection given is often exploited in an anti-social manner distorting the purposes of the Act, manifested in the emergence of the 'pugree' system and the practice of sub-letting, which may give an income to the first occupier much in excess of the rent paid by him. The Delhi study points out that "the existing rent control legislation is heavily tenant oriented and care should be taken to ensure that they are not protected unnecessarily". It is emphasised that "because of this built-in bias in the legislation in favour of tenants, equity demands that the benefit of doubt should go to the landlords".¹³ The Bombay and Delhi studies bring out the hostility of the house-owning land-lords to rent control laws. Ninety per cent in Delhi and 67 per cent in Bombay were not in favour while 85 per cent tenants in Delhi and 96 per cent in Bombay favoured rent control.¹⁴

An eminent social scientist observes that "it is becoming increasingly clear that a policy which expects entrepreneurs to provide the housing stock and still operate within a system of regulated rents

is unworkable and only succeeds in giving rise to a variety of malpractices both on the parts of the owners of buildings and the administrators who wield the regulatory powers".¹⁵ To this must be added the tenant occupier as the third dimension. The initial presumption of the owner as the exploiter and the tenant as exploited is no longer uniformly valid. In fact, a good proportion of the owners of old buildings are not as affluent as their tenants, and often depend on the income of their properties, which under the impact of rent control are giving negative returns. The landlord under the rent control legislation is a mere recipient of some regular fixed amount till such time as the law is changed and the building itself collapses. "From a socio-economic view point", one of the specialist respondents in the Bombay Study argued, "the incomes from old properties are fast becoming an illusory source of maintenance for the middle class landlord". One very important social effect of the implementation of the Rent Act is that it has made the local middle class of the region, especially the early Maharashtra settlers who are owners of landed property and buildings, bankrupt.¹⁶ Another expert view is that the "flow of income by way of rent being small, owing to the rent controls, these sections find themselves in a weak position to maintain their housing capital stock. And this destroys the assets of

¹³ Delhi Report, *op. cit.*, p. 15 and 18.

¹⁴ Delhi Report, p. 46 and Bombay Report, *op. cit.*, p. 51.

¹⁵ M. S. Gore, *Some Aspects of Social Development*, University of Hongkong and Tata Institute of Social Sciences, Bombay, 1973, p. 88.

¹⁶ Bombay Report, *op. cit.*, p. 53 and p. 10.

precisely those classes which need to be protected by the rent acts".¹⁷ The fact remains that because of control on rate of return, past investors in housing are discriminated again.¹⁸

Old rent-controlled tenancies have developed into privileged vested interest over a period of time irrespective of the income status of the occupier. The Madras Provincial Housing Committee (1948) thought that "rent control benefited only the older population, stabilising them in their homes and protecting their accommodation".¹⁹ Indeed, in the opinion of an expert, "the only beneficiaries of the present type of rent controls are the initial occupants of the apartments. Assuming that they are all from low and medium income classes—which is, however, not the case—they do not retain these benefits much longer".²⁰ Not only they have to incur maintenance expenditure, but with increasing number of these houses falling into disrepair and fast crumbling, the possibility of those who are forced out, getting other accommodation at any reasonable rent, is practically nil.

The pressure on housing stock has also resulted in considerable subletting

leading to over-crowding and greater wear and tear or for better class accommodation to a well established system of *Pugree* so that the low income people are priced out. It is interesting to note that according to the Bombay Study, 60 per cent of the tenants, 80 per cent of owner-residents and 72 per cent of the landlords viewed the *pugree* as the single most important way of bypassing the Rent Act. "Thirtyseven of the tenants admitted that they had to pay deposits."²¹ The Ministers Committee on Augmentation of Finances of Urban Local Bodies commented that "with the *Pugree*, the rent fixed by law comes closer to the market rent with the result that the tenant generally pays the market rent"²² so that rent control legislation fails in the basic objective of protecting the disadvantaged classes. On the other hand, it must be noted that in respect of a house initially occupied by a tenant, the transfer of tenancy brings a greater share of the *pugree* to the occupier, say 75 per cent. Since both the tenant and the owner act in collusion, it is impossible to overcome the malpractices.²³

The Chairman of the Maharashtra Municipal Finance Commission personally visited an equal number of new and old

¹⁷ Rent Control in Urban Areas; An Alternative—Deena Khatkhate—*Economic and Political Weekly*, Annual Number, February, 1975, p. 219.

¹⁸ Delhi Report, *op. cit.*, p. 17.

¹⁹ Quoted in *ibid.*, p. 3.

²⁰ Delhi Report, *op. cit.*, p. 17.

²¹ Bombay Report, *op. cit.*, p. 69.

²² Report of the Committee, *op. cit.*, p. 41.

²³ *ibid.*, p. 90

buildings in various localities of Bombay and Poona.²⁴ He found that most of the old properties at nominal rents had well-to-do occupiers. Some of them were over-crowded. For instance, in one case about 30 different persons mostly serving in mills and factories were in occupation of 360 sq. ft. of floor area, at a rent of Rs. 17.14. A shop in Parel area was found sublet at Rs. 200 per month against the principal tenant paying Rs. 41 p.m. A residential room 114 sq. ft. on first floor was being used as an office by a sub-tenant paying Rs. 150 per month while the rent received by the owner was Rs. 14 per month. It is a paradox that the principal tenant practically enjoys all the benefits of the property without any liability to pay municipal taxes, which are paid by the owner on the basis of rent he receives. A recent article in the *Times of India* points out that the occupants of old flats on the prestigious Marine Drive pay rents in the range of Rs. 200 to Rs. 500 per month. On the other hand, under the leave and licence system (which was ended by an amendment of the Bombay Rent Law in 1973) the market rent of a 800 sq. ft. new flat could be Rs. 1000 per month, i.e., three or four times the amount for an old flat on Marine Drive having two or three times the space.²⁵ The Maharashtra Municipal Finance Commission analysed three alternatives open to a

person needing a flat with a carpet area of say 1600 sq. ft., viz., "(i) to take an old flat on low rent by paying 'pugree', (ii) to take a new flat on high rent, or (iii) to buy an ownership flat." The cheapest course found was to take an old flat at controlled pre-1940 rent of about Rs. 176 per month on payment of cash and unaccounted money of Rs. 150,000.²⁶

The above analysis reveals that the principal objective of giving protection to the poorer section of society is hardly fulfilled. With rapid tenancy of old buildings even these are being priced out by the very extensive practice of sub-letting or transfer by *pugree*, while the municipal authorities continue to receive taxes at the rents pegged down. Those who continue to hold the old tenancies are having many more people living in them with building falling into disrepair. According to the Delhi study, "the percentage of tenants' households in urban Delhi effectively covered by rent control may be put at 10 per cent to 13 per cent of the total".²⁷

Effects on Housing Stock

Rent control is at best a palliative and temporary measure and cannot remedy the central problem of shortage of accommodation. If such a negative policy is not paralleled by a more positive policy of

²⁴ Report of the Municipal Finance Commission, Government of Maharashtra, March, 1974, (mimeo), p. 58, 192-94, 197-99.

²⁵ Controlling Urban Rents, by A. S. Abraham, *Times of India*, June 9, 1975.

²⁶ Report of the Municipal Finance Commission (Maharashtra), *op. cit.*, p. 71.

²⁷ *ibid.*, p. 55.

allocating substantial funds for housing loans and subsidies for construction for rental purposes, the consequences are bound to be grave.²⁸ The mounting backlog of housing shortages is an acknowledged fact driving the vast majority of poor migrants to the city to live in slums and shanty colonies. Far from promoting housing activity, it is strongly alleged that rent control has, on the one hand, discouraged investment in housing and, on the other, has contributed to the premature deterioration of existing housing stock. It was further pointed out by the Minister's Committee on Augmentation of Financial Resources of Urban Local Bodies that it has affected adversely the intensive use of scarce urban sites. The Committee observed that "the existing system acts as a disincentive to the intensive use of land in big metropolitan areas. Since the rental value system fails to take into account the appreciated value of land, it does not encourage the land owner to develop the land to its most economical use by building as intensively as is permissible under the building bye-laws. This has resulted in low ratio of land value to cost of structures created thereon. In some cases it is even less than one."²⁹

A consequence of the freezing of rent at some base year would naturally be expected to discourage the supply of new housing.³⁰ The Bombay study quotes knowledgeable sources as follows:

"The Panel on Housing and Housing Finance of the Government sponsored study group for Greater Bombay (1958) has stated that the private investor is being 'scared away' by some of the provisions of the Rent Act and that the Act should be so amended as will entitle the owner of a property to realise a net return of 10 per cent. Similarly, C.R. Desai, a former Housing Commissioner of Bombay, has stated in a seminar paper that freezing of rents at the 1940 or pre-1940 level, the inadequate increase permissible thereafter, and the conditions making it impossible to evict tenants are sure disincentives to housing production."

The reason for not favouring rent control given by vast majority of the concerned respondents was: "no proper returns to landlords." The difficulties indicated by property owners are: inadequate returns and the disadvantageous situation *vis-a-vis* the tenants in the matter of exercising property right. The Act is alleged to militate against investment returns and property rights.³¹

It is, however, necessary to distinguish between the effect of rent control on buildings already in existence and the impact of the law on construction activity and production of more accommodation, the maintenance of existing stock and future supply. The latter will depend

²⁸ Delhi Report, *op. cit.*, p. 77.

²⁹ Report of the Committee, *op. cit.*, p. 41.

³⁰ Calcutta Report, *op. cit.*, p. 11.

³¹ Bombay Report, *op. cit.*, pp. 8, 52 and 53.

upon the rate of return investment as well as the resultant status of the property. The actual conclusions emerging from the studies for Delhi, Calcutta and Bombay do not seem to support the popular view. There are two inter-linked questions :

- (a) Has construction activity over the year slackened?
- (b) Is the rate of return in housing satisfactory?

Regarding (a) the Delhi study gives the following findings about construction of private residential houses in Delhi.³²

Years	Average Units per annum	Index of growth (1951=100)
1951-55	1134	184
1956-60	3402	391
1961-65	5741	933

It was also found that while in 1951 the annual addition to Delhi's population was estimated to be 102,289 (100%), the average for 1957-61 was 123,069 (120%). On the other hand, index number of houses constructed annually on an average during 1957-61 was 515, and 951 for 1961-65. It would thus appear that there was considerable expansion of private house construction. The figures do not include large-scale construction in a good

number of unauthorised colonies. As regards the rate of return, the Delhi study refers to a study carried out by the National Council of Applied Economic Research (NCAER) in 1963-64 giving a net return of 10.48 per cent which compared favourably with yields from Government securities and other investments. The average rate of return, according to Delhi study, was 11.2 per cent. But, if two very high yielding properties out of twelve were excluded; the average came down to 8.2 per cent, which was higher than the average all India yield from industrial securities and about twice the yield on Central Government Securities.³³ The prevailing rates of interest have since gone up.

The Calcutta study also shows increasing pace of construction activity. The following tables give indices of construction of houses and investment as per records of the Corporation of Calcutta.³⁴

It is interesting to note that rates of return for various strata follows a U-shape curve so that the return is lowest for medium class houses. If this pattern of investment continued, the houses of medium strata tend to become scarce. It would thus appear that rent control has not made any adverse impact on investment in housing. Nevertheless, there is a distinct trend towards diversion of investment in higher categories of houses which

³² Delhi Report, *op. cit.*, pp. 51-52.

³³ Delhi Report, *op. cit.*, pp. 62-63.

³⁴ Calcutta Report, *op. cit.*, pp. 25-29, 45

Index Numbers of the Production of Housing
(1951-52=100)

<i>Year</i>	<i>Number of Flats</i>	<i>Floor Area</i>	<i>Investments in Housing*</i>
1952-53	90.3	93.5	90.1
1953-54	109.3	212.6	206.7
1954-55	142.8	144.9	145.5
1955-56	155.9	159.7	152.5
1956-57	121.5	122.3	199.8
1957-58	86.5	87.7	91.4
1958-59	124.0	131.0	136.3
1959-60	155.4	170.4	154.4
1960-61	155.9	153.8	150.4
1961-62	175.7	180.4	178.6
1962-63	108.8	115.6	114.4
1963-64	204.4	213.4	202.8
1964-65	173.2	181.2	170.8
1965-66	177.3	201.6	160.7

Estimates of the Rate of Return 1951-66

<i>Stratum Annual</i>	<i>Investment Rs. (Mn.)</i>	<i>Gross Rate of Return (%)</i>	<i>Net Rate of Return (%)</i>
1. Up to Rs. 500	61.83	14.96	10.32
2. 500- 1000	188.18	7.23	6.54
3. 1000- 2000	235.08	8.80	6.05
4. 2000- 5000	354.60	9.89	5.99
5. 5000-10000	289.91	7.84	4.94
6. 10000-20000	287.31	5.14	3.84
7. 20000-50000	234.40	10.15	5.34
8. 50000-a lakh	265.28	15.74	10.63
9. Over a lakh	376.15	15.74	10.63
	2294.34	11.57	6.99

*Based on values at constant (1950-51) prices. This shows a steady increased supply as compared to 1951-52. This actual investment and the rates of return on various stratum of houses for the period 1951-66 are given in the following table.

can be let out to more affluent groups, as may be seen from the comparative figures for 1951-52 and 1965-66 from various size of classes :

tendency towards increased investment in flats. "It is observed that there is a dearth of low and middle income group housing on the one hand, and there is also a surfeit

Stratum	Floor area constructed in 1000 sq. metres		Investment in Rs. Lakhs 1950-51 Prices	
	1951-52	1965-66	1951-52	1965-66
1	25	17	56	39
2	47	25	152	80
3	52	48	134	125
4	60	85	146	209
5	31	67	91	199
6 to 9	103	398	409	1469

The Bombay study approached the problem in a different manner. Out of a sample of 455 private sector residential buildings 181 or 40 per cent were found to be pre-Act (1939) constructions and 60 per cent were post-Act. Of these, the distribution by types of dwellings was found to be as follows :

of higher income flats." An expert view presented during the survey was that "no genuine investor was willing to build for purposes of letting". The builder who would like to have quick rolling of his money with a fair margin of profit has preferred construction of ownership flats to that of rental buildings. It has been

Period	Chawls %	Flats %	Bungalows%	Total
Pre-Act	45	31	15	100=181
Post-Act	51	37	12	100=274
			Total	455

This shows increased construction activity in the post-Act period as also a

conceded that the Act did not discourage building activity as such but "the practice

is to go for construction of high rented buildings often leased out to companies" and other affluent clientele.³⁵ Even so, an analysis of the above sample shows that 80 per cent of the post-Act building still were partly or wholly rented as seen in the following table :

	<i>Rentals</i>	<i>Non-rentals</i>	<i>Total</i>
Pre-Act	86	14	100= 81
Post-Act	80	20	100=274

Constructions in which landlords were also residing have been included under rentals. It is difficult, therefore, to accept "that rental constructions have been offset on account of the rent legislation". It was, however, found that a much larger proportion of dwellings let out in the post-Act period were not under legislative control.³⁶ While no analysis of actual returns on investments is available, it is noted that the Bombay Small Causes Court has laid down 6 per cent as reasonable return on construction and 6 per cent on land. The landlords wanted a return of 12 per cent and in many cases it may actually be higher. Another factor about return of housing investment brought out in the study of Calcutta is the appreciation in capital value of real estate over time.³⁷

While Rent Acts do not appear to discourage investment in housing, there is general recognition of the fact that there has been considerable deterioration of the old housing stock due to disrepair. According to an observer as "the housing capital is being dissipated rapidly, in some cities as many as 30-40 per cent of the houses in the age group 25 years or more are in acute need of repair and reconstruction.... the mortality of houses has remained high and is likely to increase further".³⁸ Inadequate rents, particularly, in respect of old buildings lead to the neglect of the existing stock, necessitating immediate repairs and often heavy repairs if they are to stand up for 10 or 15 years. But a more potent factor is that the land minus the building is far more valuable. "Usually the private owner who chafes under the fact that he cannot raise the rents.... is content to leave the house in a state of disrepair and hope that some day the building will become unusable and the tenants will leave of their own accord."³⁹

Fair Rent/Standard Rent

The entire scheme of rent control legislation has been to regulate the relationship between owner and tenant. But since property taxes are based on annual, reasonable, values the provision of Rent Control Acts in respect of fair rent have come to

³⁵ Bombay Report, *op. cit.*, pp. 70-71, 69 and 63.

³⁶ Bombay Report, *op. cit.*, pp. 73 and 75.

³⁷ Technical Report No. 19: A Study of Return on Housing Investment in Calcutta, NBO and UN (ECAFE) Regional Housing Centre, New Delhi, 1969, pp. 1-2.

³⁸ *Econ. and Pol. Weekly*, Annual, *op. cit.*, p. 219.

³⁹ M. S. Gore, *op. cit.*, 88; also see Bombay Study, *op. cit.*, p. 54.

have a direct bearing on the elasticity of this most important source of revenue of urban local bodies. Court decisions over the years have come to make the Rent Acts determine the relationship between the owner and the municipal authorities in the matter of liability for payment of property taxes. As pointed out by the Maharashtra Municipal Finance Commission : "as a result, the urban local bodies have ceased to revise periodically the assessment of properties. Consequently they are deprived of their legitimate revenue from property tax. As the property tax is based on the fixed percentage of rateable value, the disparity in absolute terms between the tax levied in the case of old and new properties keeps on progressively increasing."⁴⁰

The definition of Fair Rent or Standard Rent in the various State Acts varies considerably in respect of the date to which such rent may be pegged in respect of old properties, the rates of permissible increase, and the effects it may have on the quantum of rent of properties constructed or let out subsequently. The basic or reference date is 1939 in the Punjab Act, 1941 in Bihar, 1940 in Bombay, 1944 in Andhra, 1943 in Rajasthan, 1944 in Delhi, 1947 in Karnataka, 1948 in Madhya Pradesh and 1942 in the earlier Act for U.P. On the other hand, the Acts for Assam, Kerala, Madras and Orissa do not have any such reference date. Nevertheless, by and large, the scheme of the Rent Acts is to freeze the rentals in respect of old buildings with marginal increase being permitted by subsequent legislation. As regards pro-

perties constructed or let out after the basic dates or after the commencement of the respective Acts, the position is more flexible with considerable variations as indicated later.

Some of the Acts are rather outmoded and have no relevance to the realities of the situation today. For instance Section 4 of East Punjab Urban Rent Restriction Act, 1949, provides for the determination of fair rent as follows :

- (a) The Controller shall first fix a basic rent taking into consideration the prevailing rents during the twelve months prior to 1st January, 1939 and the rental value entered in municipal registers for similar accommodation.
- (b) The Controller may then allow for residential buildings, for buildings existing before January 1, 1939 an increase ranging from $8\frac{1}{2}$ per cent to 25 per cent of the basic rent and for non-residential, $37\frac{1}{2}$ per cent to 50 per cent depending on such basic rent being less than Rs. 50 or above.
- (c) For building constructed after 1st January, 1939 the increase to be allowed are 25 per cent to 50 per cent for residential and 50 per cent to 100 per cent for non-residential.

According to these provisions, the rent of a building constructed today, or over the

⁴⁰ Report of the Municipal Finance Commission (Maharashtra), *op. cit.*, p. 52.

last 30 years, will be fixed with the same permissible increase over the rent prevalent in 1938, which would seem to be an absurd proposition. The actual position is that for all practical purposes the Act has ceased to have effect and the agreed rent holds the field, for the Controller can proceed with the fixation of rent only on an application by the tenant or landlord. That, however, has not prevented the courts from ruling that the Municipal Committees in assessing the reasonable annual value of properties for purposes of taxes on lands and buildings will be guided by the provisions of law for fixation of 'fair rent'. This has led to a new provision in Haryana Municipal Act, 1973 (which replaced the Punjab Municipal Act, 1911 in its application to Haryana), so that where no fair rent is fixed by a competent authority the annual value would be based on what the building is expected to be let or actually let, whichever is greater.

Later Rent Control legislations have made provision to ensure that new buildings do get a reasonable return according to market conditions, atleast when they are first let. The Andhra Pradesh Buildings (Lease, Rent and Eviction) Act, 1960 definitely provides (section 32) that the Act shall not apply to buildings constructed on or after 26th August, 1957. Section 30 of the Madras Act of 1960 lays down that the Act shall not apply to buildings completed after the commencement of the Act, nor does it apply to any tenancy of a building or part with a rent exceeding Rs. 250 per month. The Madhya Pradesh and Orissa Acts exempt from the purview of the Act

all buildings for 5 years from the date of completion, while in the Rajasthan Act of 1950 the period is of 7 years for buildings completed on or after 1st June, 1950. The new U.P. Act of 1972 exempts new constructions from the operation of the Act for a period of ten years from the date of completion. In Delhi, all premises constructed between June 2, 1951 and June 9, 1955 are to have the rent at which they were last let for a period of 7 years and agreed rent at which they are first let for buildings completed after 9th June, 1955 for a period of 5 years. Otherwise, for all new structures, a return of $7\frac{1}{2}$ per cent on reasonable cost of construction plus market price of land on the date of commencement of construction is envisaged.

The West Bengal Premises Tenancy Act, 1956, which is a permanent piece of legislation, provides for premises constructed and let out after the commencement of the Act. An annual amount at $6\frac{3}{4}$ per cent of cost of construction and market price of land plus half the municipal taxes payable each year. For a period of 8 years, however, the agreed rent on which the premises are first let out is the fair rent. The case of Bombay is a class by itself. The Act lays down for properties let out after 1st September, 1940, the rent at which they are first let as the 'standard rent' unless under section 11 a reference is made to the court on account of rent being excessive. The result has been that agreed rent is the matter challenged in a court. In the case of *Filmistan V. Municipal Commissioner of Greater Bombay* where the assessment had been fixed on

the basis of hypothetical rent, the court ruled that "so long as there is no determination by the court under section 11, the landlord is perfectly justified in recovering from the tenant the contractual rent." Another practice that resulted in exorbitant rents being charged in Bombay was the leave and licence system adopted by landlords enabling them to vary the rents practically every year. The Amending Act of 1973, however, gave these leave and licences the status of a tenant under the rent Act.

In four State Acts, there is no reference to any basic date but principles for fixation of fair rent are laid down in respect of all properties subject to any specific exemptions. The Kerala Act of 1965 (sec. 5) empowers the rent control court to fix the fair rent as it thinks fit, after taking into account the house tax or property tax according to municipal registers at the time of letting. If there is no such tax or it is not based on rental value, fair rent is to be fixed on the basis of prevailing rents in the locality during twelve months preceding the letting. In Madras Act of 1960, the fair rent for residential building is to be 6 per cent and for non-residential 9 per cent of the cost, which is to consist of the cost of construction less depreciation as may be prescribed plus market value of land and additional allowance not exceeding 10 per cent of cost of construction for residential and 25 per cent for non-residential in consideration of location, architectural feature or other amenities pertaining to the building. The Assam Act of 1966 prescribes an annual return of $7\frac{1}{2}$ per cent on cost of cons-

truction plus market value of land and property taxes in addition to the standard rent. The Orissa Act, 1967, simply vests the power of determining fair rent in the Controller. Once the rent is fixed, no increase is allowed except for additional accommodation in Tamil Nadu. In Kerala an increase in municipal taxes upto a limit of 5 per cent of rent is recoverable from the tenant. The Assam and Orissa Acts, however, provide for increase in rent due to rise in costs or value of the property. Under Section 3(2) of the Assam Act, if after the first fixation of 'standard rent' the market value of land and cost of construction go up by more than twenty five per cent, and increase in rent at the rate of $7\frac{1}{2}$ per cent per annum on such additional value is allowed subject to a maximum of 50 per cent of the original standard rent. No subsequent increase is permissible for a period of 5 years from the date of fixation or refixation. The Orissa Act, under section 9(2), also allows a redetermination of fair rent if the Controller is satisfied that there is a general rise in the value of houses and house sites in any area. Section 11 of the West Bengal Act also provides that the fair rent may be revised only if there has been an increase or decrease in the market value of the premises, subject to a periodical limit of five years. It is a matter of policy consideration why some of the salient provisions of these Acts could not be adopted in all States.

There is, however, one thing common in all the Acts. The cause of action by a court or Controller can arise only if an aggrieved party makes an application for

redress and fixation of fair or standard rent according to law. While all the NBO studies for Bombay, Calcutta and Delhi point to a fairly high degree of awareness about rent control Acts, it is difficult to say whether details are very well known unless a tenant or a landlord is driven to take resort to litigation. According to the Calcutta study, very few attempts were made by the tenants to get their rents reduced and total number of fair rent cases were 429 in 1961 and gradually came down to 199 in 1967.⁴¹ A good majority in the various studies reported the relationship between tenants and landlords as good. In Delhi only 7 per cent of house-owners and 8 per cent tenants reported strained relations and only about 5 per cent of the landlords and 6 per cent of the tenants seem to have visited the Rent Controllers office for fixation of rent.⁴² The Delhi Study concludes that only a fraction of houses are actually covered by rent control and the majority of the houses escape the law because they are not brought to rent control courts. Even when statutory rents are fixed, the properties escape the award after the departure of existing tenants. Doubts are expressed whether rent control legislations in India are really meant to be administered.⁴³

Effects on Municipal Revenues

The views of the Ministers' Committee on the Augmentation of Financial Resour-

ces of Urban Local Bodies reproduced in the opening para of this paper, sum up clearly the adverse effects of rent control legislation on the revenues of local authorities from taxes on land and buildings. The Rural Urban Relationship Committee (RURC) also expressed: "The principle underlying the recovery of house tax is that the municipal bodies render civic services to occupants. Whether a family or group of persons lives in a house whose rent has either been frozen or is contractual, the occupants enjoy the same amenities. Whatever may be the justification for freezing rent at the old rates, the Committee sees no reason why two occupants of similar houses, one old and the other new, enjoying almost the same standard of services, should be treated differently in the matter of payment of property taxes. The cost of services maintained by the municipal bodies has been mounting, but for old building the property tax continues to be charged on the basis of the old valuation".⁴⁴

A study of under-assessment in the Lucknow Municipal Corporation found, from a sample study of old properties covered by rent control law, that the annual value fixed at Rs. 5.78 lakhs would, according to prevailing estimates, be Rs. 18.48 lakhs, an increase of 219.7 per cent of more than three times the assessed value.⁴⁵ Similar study of 498

⁴¹ Calcutta Report, *op. cit.*, p. 13.

⁴² Delhi Report, *op. cit.*, p. 42.

⁴³ *ibid.*, p. 74.

⁴⁴ Report of the Rural Urban Relationship Committee, Vol. I, Ministry of Health and Family Planning, Government of India, 1966, p. 97.

⁴⁵ Property taxes in Lucknow: A Study of Assessment, Department of Public Administration, University of Lucknow, 1972 (Mimeo, p. 58-59).

properties in 24 wards of Calcutta found that the annual value on uncontrolled basis worked out to Rs. 40.12 lakhs against the actual municipal assessment of Rs. 20.98 lakhs. In Barabazar the excess would be 261.5 per cent while in most localities it was 100 to 160 per cent.⁴⁶ In Ahmedabad a comparative assessment of letting values for old and new properties per 10 sq. metres of space gave the following results:

	Use on Letting rate per 10 sq. metres in Rs.		Percentage excess for new
	Old	New	
Residential	13.15	39.43	200
Commercial	42.20	85.96	100
Industrial	20.00	29.60	50

The study concluded that it can be safely said that the rents in the old buildings would fetch atleast double the amounts of the present rents, if not more.⁴⁷ A similar study for Bombay revealed that the letting value of old properties would increase by 200 per cent for residential accommodation, 800 per cent for shops and offices and 400 per cent for factories in the city. The corresponding increases for such properties in suburbs were estimated at 100 per cent, 200 per cent and 600 per cent respectively. The

additional rateable value of such properties was estimated at Rs. 61 crores which would give at the then rates of property taxes in Greater Bombay additional revenue of Rs. 18.45 crores per annum.⁴⁸

The Maharashtra Municipal Finance Commission had surveys conducted in Bombay and Poona, combined with spot verifications by the Chairman of the Commission personally. A survey of 207 *residential* buildings, 102 constructed in or before 1940 and 105 constructed during 1965-70 evenly drawn from 9 wards of the city, brought out that the incidence of municipal property taxes was only Rs. 25 per 100 sq. ft. per year for the old buildings as against Rs. 104 per 100 sq. ft. per year for those of 1965-70. In respect of 39 *non-residential* properties the gap was much wider, Rs. 65 per 100 sq. ft. per year, as against 556 for new properties. Another survey of old residential properties on Marine Drive occupied by the affluent sections gave the figures of taxes, incidence of property to be only Rs. 35 per 100 sq. ft. per year as compared to Rs. 56 to Rs. 131 per 100 sq. ft. per year in respect of lower income group and middle income group houses constructed by the Maharashtra Housing Board during 1967-70. In Poona a study of 315 old properties and 315 constructed between

⁴⁶ Note on the Degree of Under Assessment, Indian Institute of Business Management and Social Welfare, Calcutta, 1972 (typed).

⁴⁷ Adverse Effects of Rent Control Act on the Assessment of Properties in Ahmedabad, All-India Institute of LSG, Bombay, (mimeo), p. 8.

⁴⁸ Adverse Effects of Rent Control Act on the Assessment of Properties in Bombay, All-India Institute of LSG, Bombay, 1972 (Mimeo), p. 10-13.

1965-66 and 1969-70 showed the incidence of property tax to be Rs. 12 per 100 sq. ft. per year for old as against Rs. 80 for new properties.⁴⁹

The Maharashtra Commission reporting in March, 1974, pointed out that "the sole purpose of Rent Control legislation was to regulate only the relationship between the landlord and tenant, so far as rent and evictions were concerned. However, the most unfortunate result of the Act has been to debar the urban local bodies from making a periodical revision of the assessment of properties within their jurisdiction". The Commission also pointed out that the disparity in absolute terms between the tax levied in the case of old and new properties keeps on progressively increasing and the urban local bodies are compelled to discriminate between one citizen and another residing in the same municipal area. "The urban local body has the right and responsibility to spread the expenditure on civic services equitably amongst its citizens. These norms and principles of local self-government are progressively eroded by the Rent Control Act" and the gap in the cost of civic services is made good partly by the owners of newly constructed properties and partly by drawing on the meagre general revenues of the urban local body. The Commission goes on to conclude that "the net effect of this is not only to cripple the income and elasticity of this most important source of revenue available to local bodies, but to introduce grave distortions

in the incidence of this tax on different groups of properties and occupants in the same local body, as well as to breed social evils of *pugree* system and black market transactions."

Rateable Value and Rent Control Law

It may be noted that it is not within the scope of rent control Acts to lay down the method and basis of assessment of valuation for property taxation. But it is the definition of annual value in the municipal laws and its interpretation by the Courts in the light of the provisions of rent control Acts that have led to certain distortions in the original objectives of municipal enactments. An analysis of the municipal provisions and leading judgments in this regard may help to clarify the issues for remedial action in this regard.

In most of the municipal Acts value of lands and buildings for purposes of assessments is defined to be the gross annual rent at which the land or building might at the time of assessment be *reasonably expected to let from year to year*, less, in respect of a building, an allowance usually of ten per cent to keep the property in a state as to command such gross rent. The amount at which a property can be *reasonably expected to let* is thus a hypothetical rent which a hypothetical tenant would be willing to pay for a given property. These provisions were based on the prevailing British rating law. In an English case of *Popular Assessment Committee V. Robert*

⁴⁹ Report of the Municipal Finance Commission (Maharashtra), *op. cit.*, pp. 57-61.

(1922) it was held that "there is nothing in municipal law to prevent the gross value of a property from exceeding the sum of standard rent, and that Rent Restriction Act may not be considered in arriving at the annual value of a property". Even in India the Division Bench of the Bombay High Court held in *Mangharam Jiwandas V. Bombay Municipal Corporation* (1951) that for purposes of Section 154 (1) of the City of Bombay Municipal Corporation Act, 1888, what has to be determined is the assumed rent and not the rent prescribed by the Rent Act.⁵⁰

A proviso to Section 168 of the Calcutta Municipal Act, 1951 (as amended) laid down that "in respect of lands or buildings the rent of which has been fixed under the provisions of the West Bengal Premises Rent Control (Temporary Provisions) Act, 1950 or the West Bengal Premises Tenancy Act, 1956, the annual value thereof shall not exceed the annual amount of the rent *so fixed*". "For the first time in Indian municipal legislation has such a restriction been introduced. Nevertheless, the Calcutta Corporation continued to assess properties on the basis of hypothetical rent on the plea that their hands were not tied so long as standard rent was actually "fixed" by the the Rent Controller.⁵¹ This contention was rejected in the case of *Corporation of Calcutta V. Padmabati Devi and others* in 1961. The Supreme Court summed up the position as follows :

"A combined reading of the said provisions leaves no room for doubt that a contract for a rent is not enforceable; but also that the landlord would be committing an offence if he collected a rent above the rate of the standard rent. One may legitimately say, under these circumstances, that a landlord cannot reasonably be expected to let a building for a rent higher than the standard rent. A law of the land with its penal consequences cannot be ignored in ascertaining the reasonable expectations of a landlord in the matter of rent. In this view, the law of the land must necessarily be taken as one of the circumstances obtaining in the open market placing an upper limit on the rate of rent for which a building can reasonably be expected to let."

In Maharashtra the new Municipal Act passed in 1965 specifically provided for the annual value being the gross rent at which a property was reasonably expected to let or at which it was actually let at the time of assessment, "whichever is greater". The Maharashtra Municipal Finance Commission points out that "Maharashtra Legislature has intended all along the provisions of the rent Control Act do not *ipso facto* debar the local bodies from revising value of properties in excess of the Standard Rent."⁵² Only in the municipal Corporations in Gujarat, West Bengal, Delhi and in the municipal Committees in Haryana, specific mention of reasonable

⁵⁰ Bombay Report, *op. cit.*, (48), page 2.

⁵¹ *Ibid.*, p. 5.

⁵² *Ibid.*, p. 70.

rent being standard Rent, as may be fixed, has been made. In all other Acts, annual value continues to be the hypothetical Rent at which a property can reasonably be expected to let. Nevertheless, in all cases court decisions continue to link up reasonable rent to the provision of rent control law. A more emphatic expression of judicial interpretation is contained in the Supreme Court decision in the case of *Guntur Municipal Council V. Guntur Town Rate Payers' Association* (1971). The Municipal Council had carried out a general revision of assessment in 1960 increasing the annual value to a level higher than those prevailing before the Andhra Pradesh Rent Control Act, 1960. The court observed that the assessment of valuation must take into account the measure of fair rents as determined under the rent control Act. Even in respect of those properties whose fair rent has not been fixed by the Controller, the municipal authorities will have to arrive at their own figure keeping in view the principles laid down in the Act for determination of fair rent.

The various judgements even tended to imply that the municipal authorities could not assess a property to a rent higher than the 'fair rent' or 'standard rent' even though they were actually let at a higher rate as such actual rent would be illegal. The position has however been clarified in some recent judgements. In the *Filmistan Case* of Bombay, decided in 1971, it was contended by the assessee in the light of the two judgements referred to above that the Corporation of Bombay was bound to fix the rateable value in accordance with

the 'Standard Rent' and not the actual rent. The court ruled that so long as there is no determination by the court under section 11 of the Bombay Rent Act, the landlord is perfectly justified in recovering from the tenant the contractual rent. Such contractual rent was Standard Rent till the Court was moved to redetermine the rent. Such actual rent was, therefore, held to be valid for assessment by the Corporation. In another case of *Diwan Daulat Rai Kapur V. New Delhi Municipal Committee*, the Delhi Municipal Corporation and the NDMC had assessed certain properties on the basis of actual rent. This was challenged on the ground that assessment could not exceed what would be standard rent under the Delhi Rent Control Act, 1958. This contention was rejected by the Court with the observation that "if the basis of valuation by the Municipal Authority is the agreed rent of any premises whose fair rent has not been fixed and if such agreed rent is legally recoverable under the provisions of the Rent Act, the principles of *Padma Debi's* case will not be attracted". On the other hand, in another case of *New Delhi Municipal Committee V. Ram Parkash Kapoor*, decided in 1974, the property had not been let and the NDMC assessed the property on hypothetical rent. The court required the NDMC to fix the annual value in accordance with the provisions of section 6 of the Delhi Rent Control Act, 1958 in respect of standard rent.

There is one very important consideration that has influenced the decisions of the courts in rejecting the plea of the municipal authorities for assessment to be

based on a hypothetical rent that a hypothetical tenant may reasonably be willing to pay depending on the occupancy value or benefits of a given property, which is the contractual rent. All Indian municipal Acts lay down that liability for payment or taxes is that of the owner, while in U.K. it is the occupier that has the ultimate liability for payment of municipal rates. Under the circumstances, it has been argued, that the owner's liability for payment of taxes could not be based on anything in excess of rent received by him, particularly when he is in no position to increase such a rent, even though the property might actually have much higher letting value. Similarly, with sub-letting by tenants, so long as the tax liability is upon the owner, he cannot, in equity, be taxed on a rental which he does not receive. In England the value of occupation to tenant (irrespective of the rent he pays) is the criterion for rateable value. In India the courts held that the letting value to a landlord has to be the criterion. There is no doubt that had the liability for municipal rates been that of the occupier, as in U.K., there would have been no difficulty in India as well, in dissociating fair rent under rent control Acts from the reasonable value for purposes of municipal assessment.

The net outcome of the various judicial interpretations has been that the gross rent that a property can reasonably be expected to let, the basis of periodical assessment under the municipal Acts, has been pegged down to the fair or standard rent under rent control legislation. Periodic revision of assessment due to be carried once in five years to include

accretion of value to a property from time to time (which is the essence of elasticity of this most important source of municipal revenues) has been ruled out and it cannot, therefore, keep pace with the rising costs of municipal services. The extent to which assessments of buildings remain frozen varies with the time of their construction and the relative provision of the rent control Acts in different States. Broadly, it may be possible to identify the following categories regarding the extent of gap between the frozen rents and the level at which these properties could be assessed if they were freed from the restrictive effects of rent control legislation.

- (i) The properties mostly in existence prior to 1950 of which rents are pegged to certain basic dates with marginal increases permissible under the rent control Acts. The gap between the controlled value and present day letting value is the widest with the cost of services far exceeding the revenue from property taxes. It is in these cases again that sub-tenancies and *pugree* system is most common, but the municipal assessment is pegged down to the old rent received by the owner.
- (ii) Properties constructed and or let in the postwar period in which case the rents are frozen at the level they are first let. With the steep rise in the price level over the last 25 years, the current rents have spiralled far ahead of those during the fifties and sixties, so that even

in respect of relatively new properties municipal assessments are adversely affected, the gap depending on how dated a building is. The vast majority of new buildings belong to this category. There is, however, a possibility that in many cases agreed or contractual rent might actually be higher than the amount at which the premises were first let because of the reluctance of parties to go to court for actual fixation of rent under the rent control Act. Nevertheless, any revision in assessment is strongly resisted on the basis of rent control legislation and properties continue to be underassessed.

- (iii) There is a small proportion of properties newly constructed, let out and assessed for the first time or properties enjoying for some years, under some Acts, a rent control holiday. In Tamil Nadu and Andhra, new constructions after 1960 and 1957, respectively, are not covered by rent control.

Remedial Measures

It is thus an accepted fact that the interpretation placed on the term annual value for which a property may be reasonably expected to let combined with the provisions of rent control have done considerable damage to the capacity of municipal authorities to exploit their most important source of revenue. The desperate need of urban local bodies for more

resources is not in doubt. There is also general agreement that measures should be so devised that the municipal authorities are enabled to tax all properties equitably and to obtain their dues inspite of the provisions on rent control so that the rising costs of services are met. No concrete steps have, however, been taken although some possibilities have been debated here and there. There are three possible directions in which steps can be taken to overcome the present disabilities of the local bodies in this regard:

- (a) A change in rent control law or its withdrawal;
- (b) amending municipal Acts to isolate the basis of assessment from provision of Fair/Standard Rent and shifting of the liability for taxes to the occupier;
- (c) change the basis of assessment from annual value to capital value.

The three alternatives are discussed at in the following paragraphs.

Changing Rent Control Law. As has been discussed earlier, the assumptions of policy objectives that rent control protects the poorer sections of society is illusory. At best the impact is marginal. The question is, where are the houses that can be made available to the urban poor except those constructed under social housing schemes? Table at page 87 gives the population of a few cities showing increases since 1941.

	Population in Lakhs				Average Annual increase 1961-71
	1941	1951	1961	1971	
Greater Bombay	16.9	29.7	41.5	59.7	182000
Delhi (Urban)	6.9	14.4	23.6	36.5	130000
Madras City	8.6	14.2	17.3	24.7	74000

It is evident that the vast majority of the people in the city belong to the post-war period and could never have been in occupation to earn the benefits of the low rents of old properties under rent control. Again, most of the old residents who were in position have either capitalised on the privilege of being initial tenants by subletting, or *pugree*, or have themselves graduated to better income strata. The people that flock to the various cities every year in various States are condemned to share overcrowded space at high rates, or to join the increasing tribe of *jhuggi jhompari/zompadwad* dwellers.

There is no denying the fact that most of the rent control Acts are outmoded and do not take into account the changing relatives, to say nothing of the malpractices that they breed. There is considerable criticism of the existing rent control Acts, which are mostly temporary. Nevertheless, it is not contended that all rent control legislations be scrapped. It will be better to give them a permanent basis, but confine their operation to regulate rents to ensure a fair rate of return to the landlord and, at the same time, deter him from resorting to

rack renting, as has been evident from the experience of the leave and licence system in Bombay. This is not an absolutely new proposal but is actually a part of law in Madras, Assam and Orissa which do not have any dates to which the rent is pegged. The Tamil Nadu (Madras) Act in fact goes further in making the Act inapplicable to those properties completed after the date of the Act (1960) and to tenancies of which the rent exceeds Rs. 250. The Assam Act in section 3(2) and the Orissa Act Sec. 9(2) provide for redetermination of rent if there is a rise in the value of lands and buildings, which would bring the fair rent closer to revised assessment by a municipal authority.

As regards the rate of return, the Assam Act and some other Acts put it at 7½ per cent or less. The Madras Act prescribes 6 per cent for residential and 9 per cent for non-residential properties. Bombay courts have ruled 9 per cent as fair return for all properties plus municipal taxes. A columnist in a rent article has suggested doubling of rents of buildings over 30 years old and for others a return of 12 per cent.⁵³

⁵³ *Times of India*, June 9, 1975, p. 5.

Surely a fair rate can be fixed by State Governments. It may be desirable to adopt the Tamil Nadu Act formula with the difference that the return may be 9 per cent for all properties residential or non-residential (as the latter will gain in any case due to higher cost of land, etc.) and are value may be allowed in the event of increase in value but not for a period of five years of fixation or re-fixation as given in the Assam Act.

Value to Occupier. The second approach is to allow municipal assessment to be based on value to occupier, who should be made liable to pay the additional taxes. It stands to reason that the benefits of municipal services and amenities such as maintenance of roads, sanitation, conservancy and rubbish disposal, provision of educational, recreational and health services and other measures of public safety and convenience are enjoyed by the occupier and not by an absentee landlord. It is on this principle that rateable value in England is determined as the basis of value to the occupier who is made wholly liable for municipal rates and taxes on lands and buildings. There are two questions raised in connection with the adoption of this practice in India. Firstly, if the occupier is liable for payment of property taxes, recovery and collection of taxes become more difficult. This is met by the practice adopted in U.K. to have the tax collected through the landlord, who is authorised to recover it from the occupier

along with the rent. The collection rates in U.K. easily exceed 90 per cent.

Secondly, it is pointed out that a charge over of liability for taxes on the occupier will tend to relieve the owner of even his share of liability to pay taxes on the basis of controlled rates. In order that the owner may not be relieved of his existing liability, the Rural Urban Relationship Committee suggested that:

"Wherever an additional payment has to be made as a result of the changes proposed in the method of assessment, such payment shall be treated as part of rent and be recoverable from the tenant".⁵⁴

It may be mentioned that following the judgement in 1951 in the case of *Mangharam Jiwandas V. Bombay Municipal Corporation* upholding the principle of hypothetical rent a new section 10 AA. was added in 1953 to the Bombay Rent Control Act of 1947 entitling the landlord to increase the standard rent to the extent of the increase in the amount of tax after 31st March 1949.⁵⁵ The Maharashtra Municipal Finance Commission has, therefore, observed "It is necessary to establish, beyond doubt, that the powers resting in the urban local bodies to revise periodically the assessment of properties, should not be fettered by the provision of rent control Act. Likewise it should be clear in law that increase in the amount of municipal tax or cess whether by way of upward revision

⁵⁴ Report of the Rural Urban Relationship Committee, p. 97

⁵⁵ Bombay Report, *op. cit.*, pp. 2-3

beyond the controlled rent or by way of revision of rateable value or imposition of a new tax or cess should be made payable by the actual beneficiary, namely, the tenant occupant".⁵⁶ To achieve this purpose the commission has made a two-fold recommendation :

- (a) amendment of the Municipal Act so that section 114(1) of the Maharashtra Municipalities Act, 1965 would read as follows :

"In order to fix the rateable value of any building or land assessable to a property tax, there shall be deducted from the amount of rent for which such building or land might reasonably be . . . whichever is greater, *without relating it to the standard rent, if any payable to the landlord under the relevant Rent Control* of a sum equal to ten per centum and the said any other account whatever."

The relevant amending art. is underlined above.

- (b) amendment of Rent Control law, in this case section 10 of the Bombay legislation to read as follows :

"Where a landlord is required to pay to a local authority in respect of any premises any rate, cess or tax imposed or levied for the purposes of such authority, he shall be entitled to make an increase in the rent of the premises by an amount not exceeding the increase

paid by him (by way of *revision of the rateable value or the rate of tax or the levy of a new such rate*, cess or tax over the amount paid in the period of assessment which included the date of the coming into operation of this Act (or the date on which the premises were first let, whichever is later), and such increase in rent shall not be deemed to be an increase for the purposes of section 7."

Similar amendments can be made in the various State Municipal and rent control Acts. The practical impact of these amendments on future tenancies is bound to be that of making the occupier liable for municipal property taxes. It will therefore be desirable to amend the Municipal Acts to link up municipal rates with occupancy and put the issue of annual value as the value to occupier beyond doubt. At the same time it will delink municipal taxation from rent control Acts.

Capital Value Basis. The third alternative of municipal rates being based on capital value of properties is in vogue in U.S.A. The rate usually is about 1 per cent to 1.5 per cent of capital value as assessed and recorded in municipal records subject to periodic revision. The adoption of this basis has been advocated as a more satisfactory basis for municipal rates; removing at the same time the effects of rent control. Even today there are properties that are not let out and their annual value has to

⁵⁶ Report of the Municipal Finance Commission (Maharashtra), *op. cit.*, pp. 72-74.

be determined either by the comparative method with reference to the rent of similar properties in a given area or by the land and building method according to which the capital value is first determined by adding the market value of land on the date of assessment to the cost of construction at prevailing rates less depreciation. The annual value is taken to be a fixed percentage of the capital value so arrived at for purposes of municipal levies.

The Andhra Pradesh Municipalities Act, 1965 made a provision for tax on capital value on owner-occupied properties only for the first time. Section 85(2) of the Act provided the following bases for assessment.

- (i) In respect of land or buildings or both used or occupied by the owner, at such percentages of the capital value of such lands or buildings or both, and on such graded basis as may be fixed by the Council.
- (ii) In respect of lands or buildings or both, which are let out on rent, such percentages of the annual rental value of such lands or buildings or both, and on such graded basis as may be fixed by the Council.

It will be seen that the above provisions apply separate criteria for rented and non-rented properties. This was resisted by the owner-occupiers as discriminatory, because, particularly in respect of older properties, this would mean a sudden

increase in their tax liability which other similar properties in the area of the same standing would continue to pay the old taxes. In fact the owner-occupied properties have in practice been treated more leniently in assessing annual value as compared to other similar properties. It has, therefore, not been possible to enforce these provisions in practice, and the municipal authorities have had to maintain the *status quo*.

What is required is a uniform application of capital value basis to all properties. This does mean a break from the old tradition of annual value that we have adopted from the British practice. It is significant that even though U.K. has a well organised central machinery for valuation of properties, they have not given up the annual value basis largely because of their practice of occupier being liable to pay taxes on the basis of value of occupancy. Under the Capital Value System, the owner remains basically liable for municipal taxes although he generally passes it on to his tenants. In any case in any country the investor in land and building is bound to take into account the rates and taxes and other changes for maintenance in arriving at the gross rent payable. The adoption of capital basis in India will automatically lead to such a process of adjustment in due course.

A major objection to the adoption of Capital Value basis in India has, however, been that the assessment of Capital Value is a laborious technical exercise and most of the medium and small town local

authorities may not be equipped to carry out periodic assessment of capital valuation of all properties. There is, no doubt, that it calls for greater expertise but so does the determination of annual value. It is universally agreed that the present assessment of annual value is far too subjective and *ad hoc* in character and there is need of making it more objective and methodical. Committees and Commissions have even recommended the organisation of Central Valuation agencies in each State. Moreover assessment of capital value is required for other purposes of wealth tax and estate duty as well as acquisition proceedings. It should be desirable to have a system of independent valuation which could provide an equitable basis for valuation for different purposes by different agencies. In fact once a step for capital valuation is undertaken which may mean considerable initial work, the further processes will be facilitated and the local

bodies are bound to develop the necessary expertise in this field.

In conclusion it may be said that while all the three methods can be effective in overcoming the limitations imposed on Urban Local Bodies by the operation of Rent Control Laws, it will be easier for our system of municipal taxation to adapt itself to the second alternative discussed above, *i.e.*, amend the Municipal and Rent Control Acts to enable annual value being assessed as value to the occupier, who should ultimately bear the additional tax burden. For, under the operation of Rent Control properties that will be mainly affected by such a revision, the occupier is the main beneficiary having to pay low rent and enjoying the municipal services which are costing the local bodies more and more. Nevertheless the other alternatives have broader policy implications for more permanent basis for rent control and valuation of properties.

State Power to Dissolve and Supersede Municipalities

THE most important instruments of State control that the State government exercises over the municipalities are the powers of dissolving or superseding the municipalities. The municipal arena made legally accessible by the State government incorporating these powers in the Rajasthan Municipal Act of 1959.

Why Dissolution & Supersession?

These provisions were adopted by the Britishers to check the public institutions from becoming vehicles of Indian nationalist to hold the power. Thus the principle of local self-government in the late nineteenth century, was limited by these provisions of dissolution and supersession. The idea behind these provisions was to be used as a timely medicine, against the adverse implications of adult franchise, lack of democratic spirit and political maturity, and other considerations which creep into the democratic process such as region and caste. The more important consideration in post-Independence India is to be found in the conflicts of political parties. Almost all the states were controlled by the Congress party but various other parties or their combinations emerged victorious in municipal elections. Thus the party in power at state level, different than at

municipal level, has incorporated the weapon of dissolution and supersession into the municipal Act.

Supersession and Dissolution

The Act vests power of dissolution and supersession in the government. The grounds for dissolution or supersession are: (i) incompetence to perform duties, (ii) persistent default in performance of duties, and (iii) excess or abuse of powers.¹ When a Council/Board is dissolved or superseded, the consequences are: (i) all elected members have to vacate their offices, (ii) all the powers, duties and property of the Council/Board are vested in the State Government. Hence administration is to be carried on by an administrator appointed by the Government.

Explanation of Terms

Both these powers of dissolution and supersession are drastic to correct a Council/Board, in behaviour. Dissolution is a less drastic step as compared to supersession, because it aims at dissolving a guilty Council/Board and leads to fresh elections. It is a sort of an appeal to the voters to elect better representatives than the previous ones. Supersession on the other hand, means the scrapping of the machinery

¹ Rajasthan Municipalities Act 1959—Sec. 295(i).

of the Council/Board, altogether for a specified period, and here the Council's/ Board's place is taken by an administrator appointed by the State Government. The Act does not specify, when the government shall use either of these means. It is up to the government to decide whether in a given municipality, they would resort to dissolution or supersession. In Rajasthan both are used in one sense and are not differentiated.

Powers in Practice : Various Cases

The exercise of this power by the government shows that many municipalities were superseded by the government on failing to perform their duties or charges of corrupt practices. Since 1959 more than 35 municipalities have been superseded by the government.

The Municipalities of Jobner,² Ratan-garh³ were superseded on grounds of failure to perform their duties; while municipalities of Jaipur, Bundi, Neem-Ka-Thana and Sawai Madhopur were superseded on grounds of incompetence and corrupt practices. In the case of Jaipur Municipal Council the grounds of supersession are given in detail below for illustration:

- (i) "The Municipal Council failed to submit the budget estimates for the year 1962-63 within the prescribed time limit and had also not submitted the budget estimates for the year

1963-64 for the approval of the Government so far.

- (ii) The amount advanced for the purchase of wheel barrows was diverted towards the payment of salaries to the staff and had not been used for the purpose it was sanctioned.
- (iii) The amount of provident fund of the Municipal employees had similarly been disbursed against the provisions of the Rules.
- (iv) The amount of securities deducted from the running bills of the contractors, had also been spent on the disbursement of salaries of the staff.
- (v) Sixtyeight persons were appointed without the administrative sanction of the State Government.
- (vi) Two hundred and thirteen posts in excess of the budget provisions were created and appointments were made thereon in contravention of the provisions of the said Act.
- (vii) Salaries to the municipal employees had not been paid in time and regularly.
- (viii) No effective steps were taken to dispose of the appeals of assessment of house tax which resulted in loss to the Municipality.
- (ix) The general sanitary conditions of the city had been deteriorating day by day.

² Government Order No. F.1(a)(b) LSG/61 dated 17.11.61.

³ See, *Rastradoot*, July 7, 10, 29, 1962 and April 7, 1963. Also see *Proceedings of Rajasthan Legislative Assembly*, Dec. 20, 1965; pp. 1420-1964.

- (x) No effective steps were taken to increase the resources of the Municipality and no checks were exercised to prevent the expenditure."⁴

The Municipal Council was then under the control of the Jana Sangh Party. Similarly Deedwana Municipal Board also, headed by the Jana Sangh Party and was superseded in 1965 for abolishing cycle tax without the approval of the Government. But Chairman of the Council went to High Court and has got the decision in his favour and government had to reinstate the Board.

Analysis of Views Surveyed : Dissolution and Supersession

We asked our respondents about their perception regarding supersession and dissolution of Municipal Councils/Boards. Out

of them (106) 25.5 per cent were in favour of supersession and dissolution while 60.4 per cent were against it. The status-wise break up of our respondents are given in Table 1 below.

The Table clearly shows that 65 per cent higher officials are in favour of supersession and dissolution because of administrative convenience to them; while 86.9 per cent leaders are against supersession and dissolution because they think it will deprive them to run the local administration.

Why of Dissatisfaction with Dissolution and Supersession

We further asked them to give reasons in support of their answers, out of 27 respondents who favoured supersession and dissolution all were of the opinion that

TABLE 1
Respondents Perception About Supersession & Dissolution

<i>Leaders</i>		<i>Higher officials</i>	<i>Municipal and subordinate officials</i>	<i>Total</i>
Yes	—	13 (65%)	14 (35%)	27 (25.5%)
No	40 (86.9%)	5 (25%)	19 (47.5%)	64 (60.4%)
DK/NR	6 (13.1%)	2 (10%)	7 (17.5%)	15 (14.2%)
TOTAL 46 (100%)		20 (100%)	40 (100%)	106 (100.1%)

⁴ Government Order No. F./(21)LSG/61 dated 1 April, 1963.

it was a means to set right the infested party politics and group ridden municipality which is not working properly.

Out of 64 respondents who were against supersession and dissolution, ventured many reasons for it. The Table 2 below shows the reasons :

TABLE 2

Respondents' Reasons Against Supersession and Dissolution

<i>Reasons</i>	<i>Percent Respondents</i>
Undemocratic	70
Drastic Step	71.9
No opportunity for self-improvement	39
	No. =64

(Percentages do not add up to 100 because of multiple responses).

The Table shows that majority of respondents perceived that, this step is undemocratic and very much drastic and deprives the Councils/Boards to improve from within.

A Critical Estimate

A Municipal Council/Board duly elected by the people should not be superseded on vague charges of incompetence or abuse of powers because these are subjective criteria. But the fact is that the party politics, has

been a major factor in supersession or dissolution of municipalities in Rajasthan. Municipal Councils/Boards in which the interests of the party in power at State level, are safely looked after, no such drastic action is taken even if their administration is in a worse state of affairs than those which have met with this fate. The decision to supersede is ultimately a political one and, occasionally partisan.⁵ But motivation behind dissolution or supersession cannot be solely for political reasons, as many other reasons may also be found. The power to supersede a municipality has not yet become the general rule in Rajasthan at present.

The view that, if a Municipal Council/Board abuses its powers or is considered incompetent to perform its functions, should be superseded is mistaken. As "mankind has not yet, and cannot ever, contrive a fool-proof legislature or, for that matter, any human organisation. If that were so, the judiciary would not have declared so many State and even Parliamentary acts *ultra vires* of the Constitution. The decisions of the High Courts are sometimes rescinded by the Supreme Court. Many actions of the bureaucrats who, as a class, tend to regard themselves as the acme of wisdom and uprightness, happen to invite the wrath of the judiciary".⁶ Councils/Boards should be given opportunities for improvements from within.

These facts prove that "supersession of local bodies is not a satisfactory remedy

⁵ For details see Donald B. Rosenthan, *The Limited Elite : Politics and Government in Two Indian Cities*, The University Chicago Press, Chicago & London 1970, p. 19.

⁶ Shriram Maheshwari, *Local Government In India*, New Delhi, 1971, pp. 318-19.

for the maladies from which local bodies generally suffer."⁷ Almost all the committees and commissions that have probed into the affairs of municipal bodies have discouraged this drastic action by the government. The Simon Commission significantly pointed out long ago that "where spur or rein was needed the minister (Government) was only given a pole-axe." Therefore the aim of the "Government should be to reform, rectify and remedy the evils progressively and to improve the councils from within by infusing greater enthusiasm for self-government and civic responsibility among the inhabitants of the civic community rather than to pronounce the capital sentence on them."⁸ For the development of local government "care should be taken to see that the suspension is used as a constructive breathing space, so that it can, on any ground, be construed as either a party or an anti-democratic move. For, every suspension, is in itself a setback to the cause of the development of responsible local government and to be avoided so far as possible on that ground alone. If the remedy is abused it might well make that development impossible".⁹ A committee also observed that "supersession, dissolution and action in default by the State governments should be applied rarely and as a last resort after all means of

advice and persuasion have been exhausted."¹⁰ The incompetence of municipal bodies in performing their functions is largely the result of the faulty administrative structure which queers the pitch for the working of the municipal bodies. The weaknesses of this structure include the absence of a strong and independent executive, undue interference by the elected members in executive matters, inefficient and unqualified municipal personnel, inadequate resources, losses due to improper assessment and collection of taxes, and wasteful expenditure and unless these defects are removed through structural changes a Council/Board cannot be expected to perform its duties efficiently and effectively. It is on such changes that attention needs to be focused. Political supersession of municipal committees take the system nowhere towards achieving the objectives of municipal government.¹¹

Thus this provision of dissolution and supersession should not be included in Municipal Acts in Independent India. And if it is necessary to retain, the proposal should be placed before the State legislature for approval like the Presidential Order for the take-over of the Government of a State under article 356 (3) of our Constitution.

⁷ See Prof. A. Avasthi's Article, "Government Control and Assistance to the Municipal Bodies" in *Municipal Administration in India* (ed.) by him (Lakshmi Narain Agarwal, Agra, 1972).

⁸ T. Appa Rao, "State Administrative Control Over the Major Municipal Corporations in South India," *Journal of the Society for Study of State Government*, (Vol. II, Nos. 1 & 2, Jan.-June 1970), p. 20.

⁹ Ursula K. Hicks, *Development from Below*, Oxford University Press, 1961, p. 457.

¹⁰ Report of the *Rural Urban Relationship Committee*, Government of India, Ministry of Health and Family Planning, June 1966, Vol. 1, p. 118.

¹¹ Pratap Singh, Haryana "Supersession of Municipal Committees", *Economic and Political Weekly*, Vol. VII, No. 15, April 8, 1972, p. 747.

Supersession of A Municipal Corporation

THE Patna Municipal Corporation exercises its jurisdiction over the city of Patna, the capital town of the State of Bihar. The city is located on the site of the famous Pataliputra, the capital of the old Magadh Empire and at present is situated in the district of Patna. It has grown in a linear fashion on either side of the Ashok Raj Path, the main thoroughfare of the city, running almost parallel to the river Ganga which flows on its northern side. It has stretched over an area about 12 miles in length and about 3 miles in breadth from east to west sandwiched between Ganga on the north and the river Poonpoo on the south.

The area of the city is 57.83 sq. K.M.¹ Though it is the largest city of Bihar its place among the cities of India is as low as twentyfirst.² It is basically an administrative and educational city and there has been no significant development of commerce and industries. Its population is 3,76,594 of which 3,63,700 falls under the Municipal jurisdiction.³

II

The Municipal Corporation was set up on 15 August, 1952. Prior to its establish-

ment civic functions were administered by two authorities—the Patna City Municipality (1864), and the Patna Administration Committee (1917) which had been set up to discharge civic functions for the western part of the city where the State Government Offices and Secretariat are located.

Notwithstanding the creation of the Municipal Corporation in 1952 its statutory representative organs were constituted only on and after 31 January, 1955. Though the first municipal election was held in March 1954, the elections of the Mayor, the Deputy Mayor and the constitution of the different committees were held up on account of the election being challenged in the Patna High Court and thereafter in the Supreme Court. Only when the petition challenging the validity of the election was rejected by the Supreme Court in December, 1954, the elections of the office-bearers and different committees were held and the first Mayor was elected on 31 January, 1955. Prior to the coming into being of the various representative organs the Municipal powers and functions were exercised by an Administrator, a State Government Official.⁴

¹ As per 1961 census.

² *ibid.*

³ *ibid.*

⁴ As per *The Patna Municipal Corporation Act 1951*, Section 545.

But the Municipal Corporation was superseded by the State Government in exercise of its powers under section 530(1) of the Act on 1 September, 1967.⁵ As a result, the duly constituted representative organs vacated their offices and an Administrator under section 531 (1) of the Act was appointed by the Government to exercise the municipal powers and functions. The Municipal Corporation is still under supersession.

III

Study of the factors leading to supersession reveals that the supersession was mainly the result of tension and rivalry between parties and personalities at the Corporation level on the one hand and the Government level on the other. While the Corporation during this period was headed by a Congress Mayor, the State Government was composed of a coalition of non-Congress parties. This happened after the fourth General Elections in 1967 when the Congress Party was displaced from the seat of power and a United Front Government of BKD, SSP, PSP, CPI and the Jana Sangh had been formed. The Minister for Local Self-Government belonged to the SSP. But in the Corporation the Congress Party was in a dominant position. The Socialist LSG Minister and the Congress Mayor who was also an MLC, were also not on good terms politically. Both of them were looked upon as political rivals of the backward communities of the Patna District.

The formation of the United Front Government injected a sense of apprehension in the minds of the Congress Councillors about the attitude of the United Front Government towards the Corporation. The allocation of the local self-Government portfolio to a political rival of the Mayor deepened their apprehension that their relationship with the Government might not be smooth and cordial. And when within about six months of the formation of the United Front Government the Corporation was served a show cause notice by the Government as to why it should not be superseded for its incompetence and default in duties⁶ the looming apprehension seemed to have almost taken a shape of reality. When the Corporation was finally superseded by the Government it did not, therefore, come as a surprise to the Municipal Councillors. Though it was formally superseded on the ground of "inefficiency, incompetence and financial irregularities", investigation shows that it was mainly the result of a political conflict and tension. This situation in the Municipal Corporation is reflected in the actions of the representative organs headed by the Congress Mayor on the one hand and the Chief Executive Officer who had been appointed by the United Front Government against the advice of the Mayor and who had been almost acting as a government agent on the other. Ultimately the situation culminated in the passing of a resolution by the Corporation for the removal of the Chief Executive Officer and

⁵ Government letter No. 7491/LSG, dated 1 September, 1967.

⁶ Show cause notice, Government Memo. No. 6502-LSG, Dated 4 August, 1967.

the Government in turn superseded the Corporation.

IV

Formal conflict between the Corporation and the United Front Government started since the very appointment of the Chief Executive Officer (CEO). During the United Front Government the post of the CEO fell vacant. The LSG Minister of the United Front Government started action for filling up the post. Statutorily the CEO is to be appointed by the State Government after consultation with the State Public Service Commission and the Mayor.⁷ The actual practice in this regard had been that the government would send a panel of three names to the Public Service Commission and the Mayor and after their approval one from the panel would be appointed. Such a panel of three names was forwarded to the Mayor by the United Front Government and the Mayor accorded his approval to it. But when the appointment of the CEO was finally notified to the Mayor, the appointee was not one from the panel previously approved. The Mayor then sent his disapproval to the Government. But on having found no change in the decision of the Government he filed a writ petition in the Patna High

Court challenging the validity of the appointment on the ground that it had been done without consulting him. The High Court admitted the writ but granted no stay order and hence the appointee joined the post of the Chief Executive Officer notwithstanding the Corporation's unwillingness to accept him.

The majority group led by the Mayor considered this appointment as a clear violation of the spirit of the Municipal Act, though the High Court subsequently dismissed the writ petition. This group was of the opinion that the manner of appointment of the CEO was a clear and definite interference in the affairs of the Municipal Corporation by the LSG Minister and the Government. Some of the members of this group advanced three reasons for their opposition to this appointment: (i) the Mayor was not consulted; (ii) the officer appointed as the CEO was not of the rank of a district magistrate;⁸ and (iii) the appointee did not have a good record of service in the Municipal Corporation.⁹ One of the Ex-Mayors who had been Mayor continuously for eight terms viewed this appointment as a clear injury to the authority of the Mayor and the representative organs of the Municipal Corporation.¹⁰

⁷ The Patna Municipal Corporation Act, 1951 (Bihar Act XIII of 1952), Section 50(1).

⁸ The Patna Municipal Corporation Rules lay down that the Chief Executive Officer should be of the rank of a District Magistrate. But even before this appointment some of the officers who were appointed as the Chief Executive Officers from time to time were not of the rank of a District Magistrate.

⁹ The appointee was the Deputy Chief Executive Officer from 11 November, 1962 to 31 March, 1964. During this period there had arisen a serious conflict between him and the then Chief Executive Officer and the Government had to recall back the Deputy Chief Executive Officer from the Municipal Corporation.

¹⁰ On being interviewed he had said: "The Chief Executive Officer during my regime had been appointed with my approval. No Chief Executive Officer was ever thrust upon us. It was fairly a long period of more than seven years. But, of course, this time he was appointed against the advice of the Mayor."

Soon after the joining of the CEO¹¹ "the Corporation was served with a show cause notice for its supersession. The majority group councillors considered this show cause notice as a conspiracy of the LSG Minister in collusion with the CEO. Though the Corporation refuted the charges levelled by the Government in a rejoinder sent to the Government, the Government found the rejoinder "unsatisfactory". Thus the channel of communication between the Corporation and the Government was almost frozen after the receipt of the show cause notice. The CEO started taking decisions without the approval of the Standing Committee and the Corporation and even against the written directions of the Mayor and these bodies. His defiant attitude against the representative organs was obvious. All this raised a fierce conflict between him and the representative organs.

In this connection three cases have been discussed in the present paper to point out the extent and magnitude of conflict between the representative organs and the CEO leading to the ultimate supersession. These cases concerned: (i) the extension of the services of the Assistant Health Officer; (AHO); (ii) the appointment of the Assessment Officer; and the transfer of the Health Officer (HO).

(1) The AHO was a government servant on deputation to the Municipal Corporation.

His deputation period had expired and the matter had been referred to the Government.¹² But the CEO who had been appointed by the United Front Government relieved him without waiting for the Government decision in anticipation of the approval of the Standing Committee and the Corporation. The Mayor after having learnt this decision passed an order under section 70(1) of the Act¹³ staying the CEO's action in relieving the AHO. But the CEO did not carry out the Mayor's order and as such the AHO remained relieved from the Municipal Corporation.

(2) The case concerning the Assessment Officer was that the CEO moved the Government without the approval of the Standing Committee and the Corporation for deputing five officers for assessment work in the Municipal Corporation. The Government deputed one of its officers as an Assessment Officer. The CEO allowed him to join the Municipal Corporation immediately with effect from 3 August, 1967 in anticipation of the approval of the Standing Committee and the Corporation. When the Mayor came to know about this he passed an order under section 70(1) of the Act for staying the CEO's action in allowing the Assessment Officer to join. But in this case also the order of the Mayor was not given effect to by the CEO.

Immediately after passing the stay orders the Mayor called a meeting of the

¹¹ He joined on 10 July, 1967 and the show cause notice was served on 4 August, 1967.

¹² Vide letter No. 4372 dated 27 February, 1967.

¹³ Section 70(1) empowers the Mayor to "direct the Chief Executive Officer to stay" any action in the interest of the Corporation or the public and upon such direction the section lays down that "it shall be the duty of the Chief Executive Officer to stay further action forthwith".

Standing Committee¹⁴ under section 70(2) of the Act¹⁵ to consider the matters regarding his actions taken under section 70(1). The Standing Committee which met on 12 August, 1967 discussed the two cases. The Councillors were very critical of the CEO for not carrying out the orders of the Mayor. But the CEO in the meeting, maintained that he had acted under section 64(1) of the Act which empowered him to act in emergency in the interest of the Municipal Corporation. The Standing Committee, however, resolved that as the deputation period of the AHO had expired he should be relieved with effect from 16 August, 1967.¹⁶ But regarding the Assessment Officer it resolved that he should be returned to the Government.¹⁷ But the CEO defied the resolutions of the Standing Committee also and notwithstanding these resolutions the Assessment Officer continued functioning in the Municipal Corporation.

(3) The case of the Health Officer was that he being a Government doctor on deputation to the Municipal Corporation was transferred from the Municipal Corporation by the Government¹⁸ and another

doctor was posted in his place.¹⁹ The Mayor after having learnt this again directed the Chief Executive Officer under section 70(1) not to relieve the Health Officer without the approval of the Standing Committee and the Corporation. He also informed him that he was calling a meeting of the Standing Committee on 19 August, 1967 in which all papers concerning the Health Officer should be placed. The Mayor in this case had acted swiftly lest the CEO should relieve the Health Officer. But in spite of this the CEO relieved the Health Officer on 17 August, 1967 only two days before the scheduled meeting of the Standing Committee and allowed another doctor to join.

When the Standing Committee met on 19 August, the majority of the Councillors were very much agitated and they vehemently deprecated the role of the CEO for undermining the authority of the representative organs.²⁰ For them the CEO had risen in revolt against them on the instigation of the LSG Minister. The Standing Committee after a good deal of discussion recommended to the Corporation through a resolution the removal of the Chief

¹⁴ Vide memo. No. 1827/CS dated 10 August, 1967.

¹⁵ Section 70(2) empowers the Mayor to call a meeting of the Standing Committee for the approval of his action taken under section 70(1).

¹⁶ Standing Committee Resolution No. 119 dated 12 August, 1967.

¹⁷ Standing Committee Resolution No. 120 dated 12 August, 1967.

¹⁸ Government letter No. 4213 (2) HD/ dated 10 August, 1967.

¹⁹ Government letter No. 3797 (2) HD/ dated 14 August, 1967.

²⁰ The author was himself present in the meeting as an observer.

Executive Officer from the Municipal Corporation.²¹ In pursuance of the resolution of the Standing Committee the Corporation resolved under section 50(2) of the Act for the removal of the Chief Executive Officer from the Municipal Corporation.²² But the Government instead of removing the CEO superseded the Corporation itself saying that the Corporation was "not competent to perform" and was "persistently making default in the performance of duties."²³

VI

Thus from the foregoing analysis it is clear that the supersession was more a result of the power politics which was obtaining in the State after the fourth General Elections than of inefficiency, incompetence and financial irregularities. Under the United Front Government of the non-Congress parties the Congress dominated Corporation had to meet the same

fate which the old Patna Municipality had met before Independence at the hands of the alien rulers. In fact in free India supersession of municipal bodies has become an all-pervasive phenomenon as at present as many as twenty seven of the thirty four municipal corporations are under the spell of supersession. This amply shows that scant regard is being shown to municipal democracy by the decision makers at the governmental level. And this naturally has led to the erosion of the self-governing principles at the grassroots. In fact the practice of superseding municipal bodies is a travesty of democratic principles. Really it is an anachronism that such a municipal pattern under which the municipal administration functions at the mercy of the state Government still continues. Unless a wholesome approach to local democracy is not adopted and the obsolete municipal structure inherited from the British still in operation is not changed the municipal administration will remain emasculated.

²¹ The Standing Committee Resolution No. 121 dated 19 August, 1967.

²² The Corporation Resolution No. 61 dated 25 August, 1967.

²³ The Government letter No. 7491/LSG dated 1 September, 1967.

City Politics and Administration

PUBLIC administration takes place in a social and political context so that similar administrative structures work differently in different places. Comparative analysis of public administration requires as a foundation some kind of classification of the interactions between administration and other aspects of social structure so that contrasting behaviour patterns within the administration can be systematically explained. We are as yet far from establishing an adequate contingency theory of this kind, but some beginnings may be made by looking from this viewpoint upon the work of social scientists whose studies impinge upon the realm of administration. For urban administrators in India the work of Rodney W. Jones* is immediately relevant because his analysis lays particular stress upon the links which evolve between administration and the political system in this urban setting. Although this problem is not the centre of his analysis one may be excused for reviewing the book here from this particular angle.

Urban Politics in India is the most recent of a series of studies (Church, 1973, Rosenthal, 1970, Hart, 1961, Weiner, 1962) conducted by American scholars which focus upon city politics in India. Together they form something of a school within the main-

stream of American Political Science, and the social sciences being as they are geographically specific and disciplinarily isolated such schools tend to develop certain useful concepts and methods but ignore others that might be equally useful that have been developed elsewhere. The strength of this tradition lies particularly in the fact that political systems are broadly conceived, using the concepts of field and arena to trace out areas of power and influence that traverse the formal structures of party or bureaucracy and penetrate other institutional areas of the society. The weaknesses lie in the characterisation of the kinds of relationships through which power and influence are transmitted. A broad definition of power is however a tremendous breakthrough for political science since an exclusively formal institutional focus ignores much of what actually happens in government. While the myth of complete separation of politics and administration is central to the Western Democratic tradition, in reality no such clear boundry is maintained in the business of governmental control and distribution of resources. While actual relationships remain obscure, the administrators' common complaint about 'Political Interference' or the politicians' complaint about administrative high

*Urban Politics in India, subtitled, Area, Power, and Policy in a Penetrated System, Vikas, Delhi, 1974.

handedness, have to stand in the place of analysis of what must in fact be a much more complex relationship. We need to know : what are the mechanisms through which politicians, administrators, and sections of the public interact? what does each party gain in the interaction? how does this fit into the overall pattern of power? and what are the consequences of this process for the development of the city? Partial answers to some of these questions can be found in the study of Indore.

In answer to his question "who exercises power in the city and what does he do with it" (p. 11) Jones constructs a broad model of city politics

"The dominant structure in Indore politics, consists in dual sets of cooptive hierarchies, one representative and embedded in electoral politics, and the other bureaucratic and governmental". (p. 12)

by which he means that one has to look for power amongst both politicians and bureaucrats at state as well as city level and that both rely upon a hierarchy of supporters. Power, he finds is usually concentrated in the State whose agencies decide what will be done in the city—hence the "penetrated system" of the subtitle, but sometimes, under circumstances not too clearly described the centre of political activity moves to the city. Under all conditions city politicians are busy about the endless business of recruiting support amongst the many 'islands of power' of factory workers, shopkeepers, caste associations, and other interest groups of the

city. Always for politicians at the local level there is the need to make real or symbolic gestures towards the satisfaction of individual or group interests, and the patronage which they can offer consists in part of the preferential allocation of resources that are controlled by the administration. It is this which makes the relationships established between politicians and bureaucrats so significant in this context.

Indore, we find, has grown to a city from a settlement founded by a family of Brahmins by the name of Rao who became the major land holders of the district. But Malhar Rao Holkar, the founder of the Indore dynasty, was a military leader of non-Brahmin origin and a Marathi speaker. Through forming an alliance with the Zamindars of Indore he came to exercise control over the region and was eventually recognised as ruler. Though this invasion process which placed Marathi speaking foreigners in ascendance over local Hindi speakers took place in the 18th century, this rift still finds expression today in the party politics of the city. Today the political base of the city is however much more complicated. The subsequent growth of the city and the diversification of its economy in the 1920s and 30s into large scale textile manufacture has led to a situation in which the economic interests of industrialists, bazaar merchants, workers, professionals and property owners emerge as competitors to the heirs of princely power in the arena of city politics. Furthermore political interests are cut across by the maze of caste, regional and religious loyalties that are the product of successive

waves of immigration to the city. The politics of community rivalry produces a highly fragmented electorate.

Command of government and administration forms the key to power in the city and Jones traces out the changing fortunes of different caste groups in recent history. In the princely state Maharashtrian Brahman families dominated the administration as well as the polity, but with the decline in princely power other groups came to rival their ascendancy. It was largely through expansion of activities that other people, often outsiders have penetrated the higher ranks of the administration. But there has also been the deliberate government policy of diluting local influence by deputising men to the service from other regional or central cadres. These forces led in Indore to an increase in the percentage of Jains and non-Maharashtrian Brahmans in the administration.

Although command of government posts provides a basis for control and influence, government itself must be won in elections. To achieve power, leaders, in this highly fragmented society, must hold together a diverse range of interest groups and community groups. Politics becomes a constant tale of alliances and cleavages between and within groups as leaders struggle for control of important institutional spheres. Factions are based upon some personal following, or upon an established interest group like labour unions (machine politics) or simply upon traditional loyalties ('primordial' in the language used here) or upon common acceptance of goals, or a mixture of these things. In Indore two Congress factions are founded upon Marathi-Hindi rivalry in business and administra-

tion while a third finds its strength in industrial labour. Each has an enduring core membership and access to some newspapers to voice its views, but real strength is only achieved when leaders obtain positions in government, administrative organisations like housing boards or development trusts, or in all India organisations like Congress or the Trades Union movements. For these compromises with opposed factions are sometimes necessary with the result, claims Jones, that a degree of political integration is achieved within the state. Not too much should be made of this integration perhaps since it is also shown that factions are seldom stable, and that the results of factional coalitions are seldom anything that could pass for a clear political will. Aggregation rather than integration might be a more appropriate image for the power structure in city and state. The result, one is left to surmise, is the piecemeal gratification of interests rather than clearcut policies that might be redistributive in their consequences. This is seen as a distributive as against redistributive political system.

Jones' analysis is based upon a detailed account of the activities of politics and is at its most vivid when his chronicle reaches those moments in civic affairs when the powers that be are overtaken by events, coalitions fall apart, or underlying tensions break into open conflict. These events give the newspapers their headlines and provide starting points from which the broken thread of history may be unravelled. The key events perhaps centre around cooperation and later conflict between a labour minister and a trade

union leader in Indore reaching its crisis in inter-union conflict at the factory gates. Besides this the book contains useful case studies of the politics of water scarcity, labour colony improvement, housing colony development, and a major road development each of which shows the complex ways in which interest groups are involved in the interactions between state and local bodies over these projects. It is sound practice in the social sciences to present some of the raw material upon which the analysis is based, but much of the body of this book is taken up with the details of faction politics that make heavy reading in concentrated form, and possibly distort the picture for those whose sole impression of Indore must be gained through these pages.

One criticism one might have of this study is that Jones is content with a 'best fit' explanation for a key element of his explanatory model namely patronage. He shows, for example, from a summary of the municipal Budget (p. 176) that large sums get spent under such vague heads as 'other purposes grants' and that P.W.D. money can be channelled into projects designed to serve particular sections of the community, but one wonders if this is necessarily patronage, and if it is how it takes place. Similarly, through a lengthy analysis of the caste and linguistic composition of Municipality and Administration he shows that there were periods in which both wings feature large percentages of people with similar backgrounds, but the nature of the cooperation between them remains obscure, except in the few instances that are evident in the case

studies. Admittedly there are problems of access to this kind of fact, but reference to Mediterranean studies (e.g., Peristianny ed.) (1966), Campbell (1974) shows that there is considerable scope for analysis of these kinds of relationships from a phenomenological viewpoint. This dimension of study would presumably have revealed an interesting difference between the machine politics of the labour union island of power, and other sectors of the city in which diverse trade and small scale manufacturing or service activities predominate.

More critically, the attempt to develop a distinctive model of factional politics evades what must be for both the political scientist and the public administrator a fundamental issue. The subtitle of the study includes 'policy' as a topic, but only in a short concluding section of the book is there a clear focus upon the question of what are the consequences of political activities of this kind for the formation and/or implementation of policy. Policy is not central to the political recruitment process we are told, yet, as the case material shows, both distributive and redistributive decisions are taken, that must involve some articulation of the issues involved. An analysis of the processes by which agreement was reached would have usefully augmented the study of the underlying factional interests. This is a question that is becoming increasingly important as cities adopt long-term planning as a practice. Politicians have ideas and objectives after all, and in the necessary study of 'the art of the possible'; tracing out struggles and intrigues; these should not be ignored.

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Towards a Limited Local Self-Government

A Review of Gujarat Octroi Tax Inquiry Committee Report

RECENTLY Octroi tax system, because of its adverse effect on the smooth flow of trade and on the growth of industry, trade & commerce, has come under attack both at the hands of economists and business community. With a view to overcome these adverse effects, attempts have been made by various state Governments¹ to find out an alternative to this tax. The Report of the Octroi Tax Inquiry Committee, Gujarat, 1970² is one of such attempts.

The Committee deliberates in detail about the limitations of Octroi tax, on the basis of information obtained from the municipalities, business establishments, and that on the recommendations of Committees & Commissions set up by the Governments (State and Central) from time to time. It comes forth with the following three main limitations that :

- (i) the Octroi tax blocks the Capital of the businessmen for the time gap between collection and refunds;
- (ii) the Octroi tax checks the smooth flow of goods within the State as well as between the States;

- (iii) non-uniform rate structure of the tax and the discrimination in imposition of tax between the areas adversely affect the location and growth of the trade, industry and commerce.

Abolition of Octroi tax is, in fact, a need of the day. It certainly checks the smooth flow of trade within and between States, and blocks the capital of the businessmen for the time gap between the collection and the refunds. The tax system has come under fire also because of its multi-rate structure; its dual basis of assessment (*i.e.*, in some cases *ad valorem* and in other physical quantification) and possibility of leakages at the time of collection.

However, the argument that it adversely affects the location and growth of industry, trade and commerce although true, is not specific to the Octroi tax system. It can be applicable to any tax, which is in nature non-uniform and which discriminates between the areas. The differences in sales tax rates between the states often give rise to the situation observed in the case of Octroi tax. Therefore, it may be said

¹ Maharashtra Government and Rajasthan Government also set the Committees to work out an alternative to Octroi tax. Please see 'Maharashtra Government—Octroi study group' 1970. Rajasthan Sales tax (Amendment and Abolition of Octroi) Bill, 1969.

² Government of Gujarat, *Report of the Octroi Inquiry Committee*, 1970.

that a uniform rate structure and applicability of Octroi tax to all areas may help overcome this limitation. This does not, mean that abolition of Octroi is not justifiable. It is. But, on other counts.³ If the abolition of Octroi tax is a must then question arises—what should be the alternative? Before most of the Committees and Study groups which were set up to find an alternative to Octroi Tax, the basic requirement for the Alternative Tax (AT) were as follows :

- (1) AT should fetch as much revenue as obtained through the Octroi tax.
- (2) AT should have progressiveness at least that of the progressiveness of Octroi tax.
- (3) AT should be free from the limitations of the Octroi tax.

The Gujarat Octroi Inquiry Committee also had these requirements in view for an alternative tax. It considered alternatives such as Municipal Sales tax and any variant of this. It, however, rested on the State Sales Tax type of levy with a broader base than State Sales Tax. This may be called as Sales Tax or turnover tax at the single or two points.

The Committee suggests that State Government should collect the taxes for local governments. The revenue thus collected should be distributed to the local governments by a committee consisting of the representatives of these governments.

The Committee suggests that the local governments should be compensated on the basis of the following formula :

- (i) For Local Governments which levy Octroi, the maximum of past three years gross collection from the Octroi Tax, preceding the date of abolition of Octroi, should form as the basic minimum compensation for three years. After three years the full compensation against cost of collection should be withdrawn slowly over a period of ten years.
- (ii) For Local bodies (Nagar & Gram Panchayats) which do not levy Octroi tax, 66 per cent of the tax income from the taxes other than Octroi, in the year when Octroi is abolished, should form the basis for compensation.

The Committee has also provided for the growth elements in the compensation system. This varies from 7.5 per cent to 20 per cent on the basis of average growth in the net income (*i.e.*, gross income—cost of collection) experienced in the past by the municipalities.

Since the Committee is alive to the problem of unemployment which would result due to abolition of Octroi, it suggests for full cost compensation for 3 years and slow tapering off of this compensation over a period of 10 years. It expects that

³ Reasons for the abolition of Octroi tax have been stated by this author in "An Alternative to Octroi Tax System", *Eastern Economist*, (Budget Number), Vol. 58, No. 14, 1972.

the staff rendered surplus due to abolition of the Octroi tax will be adjusted in alternative employment by the local bodies, State Government or by compulsory retirement, with full benefits, over this period.

Thus the Committee works out an alternative in great detail and attempts to answer questions such as :

- (a) delay in compensation, (b) deduction by the State Government from this fund against the loans advanced to the local governments.

It suggests methods to overcome such problems, and puts the tax system in a workable form.

Here, it would be worthwhile to make some observations about the alternative tax system as suggested by the Committee. The observations may be listed as follows:

- (i) the suggested tax is a type of State sales tax (covering a larger base) and it frees the Local bodies from the responsibility of raising major resources.
- (ii) basis of compensation to the local governments (which do not levy Octroi tax) as 66 per cent of the tax revenue from the taxes other than the Octroi, does not appear to be proper.

The first observation is, however, of general nature. The objections to such method of collection have been discussed by the author elsewhere.⁴ The second observa-

tion is specific to the suggested tax system. Therefore, we may take up the same here.

The Committee has suggested that local bodies, which do not levy Octroi tax, should be compensated at the rate of 66 per cent of their tax income from taxes other than Octroi. But, if we look into the details worked out by the Committee, for the local bodies which levy Octroi tax, the income from Octroi tax forms 66 per cent of the total revenue. Thus the proportion of the Octroi tax to total tax revenue other than Octroi tax works out as 196 per cent. Even after excluding the cost of collection, (say approximately 30 per cent of the total collection from Octroi), the proportion of Octroi tax comes around 190 per cent of total tax revenue from the taxes other than Octroi tax. Therefore, the basis of compensation worked out by the Committee for the local bodies (which do not levy Octroi tax), should be 190 per cent of the tax revenue (other than Octroi tax) instead of 66 per cent. Therefore, the formula of compensation suggested by the committee does not appear to be proper.

Recently in a bid to find an alternative tax, most of the committees and Study groups have thought of a tax system which sets free the local Government from the responsibility of resource mobilization. These committees have also hesitated to suggest the administration of Sales tax or any variant of its (covering a larger base) by the individual municipal government or by the group of municipal governments,

⁴G. D. Sharma, "An Alternative to Octroi Tax System", *op. cit.*, pp. 700-770.

where it is uneconomical to administer. The hesitation may be due to the fact that most of our local governments (urban & rural) are traditional and are manned with least qualified and skilled staff. However, the hesitation of Gujarat Octroi Inquiry Committee on this issue is because of the following three reasons :

- (i) that income from municipal sales tax may introduce wide disparities, and the income so generated may be different from the present pattern of Octroi income; that the income may be less than the level of income from Octroi.
- (ii) smaller local bodies will stand to lose.
- (iii) (a) it would increase the paper work for the business establishments, (b) it would give rise to the possibility of multi-branch firms taking advantages of different rate structure in reporting the sales.

The first argument is based on the assumption that municipal Sales Tax or any variant of it has to have a different rate structure from one Local Government to another Local Government. A municipal sales tax having uniform rate structure can meet this argument as well as the argument advanced in part (b) of the third argument. Secondly, income from municipal sales tax would depend on the base and rate structure of the tax. So is true for any other tax. Therefore it would be wrong to assume *prima facie* that the level of income from the municipal

sales tax is likely to be less than the level of income from the presently levied Octroi tax.

It is true that small local bodies, under the present tax, with comparatively less trade, industry and commerce activities in their areas get less income as compared to large local bodies. This will hold good for any other tax imposed on trade and industry in their areas. The problem of smaller income, therefore, is required to be tackled with the help of inter-governmental grants and loans for the development of the smaller local bodies.

In reply to the argument in (iii) (a), it may be said that if the format of the municipal sales tax or turnover tax is designed on the lines of State and Central Sales tax, the problem of increased paper work may not be much serious.

Our Local governments have not been developed and made to work as responsible governments although they considerably influence the economic activities and living conditions of the people in their and neighbouring areas. This may be partly due to the fact that the local governments have been considered as only training schools for democracy rather than responsible governments which should manage local civic requirements and work for the growth of their own and neighbouring areas. Quite often attempts have been made to limit the authority and workings of local governments. Takeover of professional tax from local bodies in Maharashtra may be considered as one of such attempts.

In the interest of overall economic growth and the balanced regional development it may be suggested that local bodies should be helped to develop and re-oriented to work as responsible and economic growth oriented governments. This could be possible only when they are entrusted

to manage their affairs completely. Any attempt to set them free from raising the resources or from taking decision about the development of the area, would lead towards a state of limited and the dependent local self-government.

Book Review

DWYER, D.J. : *PEOPLE AND HOUSING IN THIRD WORLD CITIES. PERSPECTIVES ON THE PROBLEM OF SPONTANEOUS SETTLEMENTS*, Longman, London and New York, 1975, p. 286.

Professor D. J. Dwyer—presently Professor of Geography and Head of the Department of Geography, University of Keele (England) and earlier for some years Professor in the University of Hong Kong and for sometime Consultant with IBRD—brings a rich experience in this pioneer book. This work includes reflections on the urban problems—more particularly of squatter settlements. These experiences present some telling records from all the developing continents—Asia, Africa and Latin America where the author had opportunity to see for himself. The book is divided into 7 chapters: (i) a major urban form; (ii) socio-economic characteristics; (iii) confusion, apathy and symbolic schemes; (iv & v) high-rise responses: Caracas and Hongkong; (vi) self-help housing possibilities; and (vii) Spontaneous Settlements in perspective. Emphasis—that the 'squatter settlements' should be better called as 'spontaneous settlements' has been reiterated in all the chapters and many a times from one para to the other so far as they relate to the Third World Countries (by which the author indirectly means the developing world).

Perhaps the writer feels that the 'pull' and 'push' factors that have all along been emphasized in regard to rural-urban migration in developed and developing world respectively are not of much meaning, and at least he wishes to stress that the rural urban migration resulting in squatter settlements in the Third World countries should be termed as 'spontaneous settlements'. His arguments adduced are: (i) the lack of a coincidence between urbanization and industrialization rates; (ii) contemporary Third World cities are not in death traps and their health records are almost as good as today's cities in industrialized countries; (iii) The increase in urban population in the Third World cities is much faster than what it is in the developed countries; for example, in North America, 6 per cent; in Europe (excluding USSR), 8 per cent during the decade of 1950's whereas in less developed continents rate of urban population has been rising at 28 per cent, in Africa; 15 per cent in Asia (excluding China); and 50 per cent, in China; 28 per cent in Latin America; and 33 per cent, in Latin America excluding Argentina, Chile and Uruguay. The writer avers that already Asia had the largest colossus of urban population even in comparison with industrialised cities as early as 1960 holding about 40 per cent of the world population in towns of '20,000 inhabitants or more', while European countries held only 24 per cent; and North America, 13 per cent; Latin America, 10 per cent; and Africa, 5 per cent.

In perspective Asia's population by the year 2000 A. D., will be around 1000 millions, as compared to, 265 millions, in 1960 and it will create a problem of unimaginable crisis still at that time the proportion of urban population to the total population in Asia would remain about 17-18 per cent whereas its total population will form about 60 per cent of the world population. Urban population in the cities of the developed world '100,000 and more population' is growing at about 3 per cent per annum whereas in the developing countries there are quite many cities—growing between 5 per cent to 12 per cent. Arising out of this dynamics, 'spontaneous settlements' will equally grow in size when they already hold over 30-40 per cent indifferent cities of the Third World countries namely in, Casablanca, Lusaka, Tripoli, Ankara, Santiago, Mexico City, Djakarta, Kuala Lumpur, Calcutta, Bombay, Rio-de-Janeiro, Racife, Manila, Lagos, etc.

The spontaneous or squatter settlements go by different names in different countries' cities. They are called favelas, in Brazil; barriadas, in Peru; ranchos, in Venezuela; bibonvilles, in Algeria; callampas in Chile; 'colonies proletarias' in Mexico; barong-barongs in the Philippines; bastees, in Calcutta; the cholera capital; chawls, in Bombay, etc.

A point of differentiation has been presented by the author between the urban folk of the developed and developing countries. In case of cities of developed countries, the author notices that the growth of population in the central areas is diminishing and have become the abodes of low income families whereas the rich classes have been going more and more further away from the central district by leap-frogging the settlements of middle income classes; whereas the developments in the Third World cities is of a different character and the distance from central districts is growing primarily for the rich classes of people and it is also at a slower rate. Examples presented in this regard are of Bogota and Quito. Inner city areas earlier laid out in Colonial days in developing countries for upper income groups have tended to become the residences of indigenous upper income classes and later on of the poor—with higher and higher population densities of which a conspicuous example is the China Town in Singapore. In contrast the author notes that "the city in the United States and other economically advanced countries may be in process of being turned inside-out through the increasing affluence of urban population, the decay of functions in the centre, the growth of suburbs and the development of commuting on a scale undreamt of by previous generations, but in the Third World the situation is very different in several important respects" (p. 28).

In the Third World cities the housing is a daunting problem and has been reaching absolutely almost to a saturation point in terms of possibilities of further

sub-dividing residential living spaces according to socio-economic characteristics and cultural contexts. The site of houses built on muds, cowdung, carbon on the walls of the corridors, dirty water with dead flies and cockroaches, uncovered salga, bits of dried excreta, and the tactics of raising the squatter/spontaneous settlements on a state or public institution land is a product-mix in the cities of the Third World. It is more on the fringe of the growing cities that the squatter settlements develop because the rents are absolutely low—particularly in the areas which were not finally scheduled for development at all. Illustrating the density changes graphically according to the distance, in Bombay, from 1901 to 1961 Prof. Dwyer presents a secular trend growth of the densities in different areas in relation to their distance from the centre of Bombay (p. 26).

Further, he observes that the locations of some of the settlements in developing countries are near the foreshores, railway tracks, marshy lands, on the heaps of refuse and dirt of the cities through clandestine operations. Particularly, in Salvador as has been observed by Pendrell and quoted in the book under review. Mountains of garbage confront one at intervals along margins of the gulf—the most repellent and striking feature of the landscape. "Municipal trucks dump garbage everyday and men, women and children... come... for the precious stuff in crude canoes. The garbage is—mixed with gravel, sand, and all other available debris, and it becomes the landfill that already has transformed a large portion of the peninsular region's swamp, marsh and water into a dry land. Garbage also helps to implant the wooden stakes on which houses and broad-walks are built continually as more people come to live in the Alagados, putting up huts further and further out into the gulf" (p. 32).

The squatter settlements are not only the residential areas and there in quite many varieties small-scale industries develop. The percentages for the manufacturing employment in the squatter settlements range from 6-9 per cent in the settlements at Diamond Hill in Hong Kong, in bastees of Calcutta, and in *barriada* at Lima, etc. The author concludes that the urban form of the Third World countries is perhaps the correct solution and not the removal of small-scale enterprises from residential areas but rather the harnessing, in an acceptable manner, in terms of the commercial and industrial vigour that many spontaneous settlements display (p. 42). The above is just the snap picture of the physical and locational characteristics of the squatter settlements.

Chapter 2 throws side lights on the 'origins' of the in-migrants to the city areas; and they often form a sizable proportion of the squatter population. In respect of socio-economic characteristics of the in-migrants, Mr. Dwyer has drawn on the studies in Bangkok, Blantyre, Bogota, Santiago, etc., and has averred that

the migrants take different variegated shape; it may be through 'step-migration', 'target migration', 'intra regional migration' percolating into urban hierarchy of a particular country. All in all, they contribute powerfully to the dramatic deterioration of the urban environment. In some of the cases, the inhabitants still orbit around the locus of their countryside households where the elders live resulting in constantly fluctuating 'composition of the household'; it may be 'conjugal' in structure, one month; 'sub-conjugal', the next; and 'joint' during the third month—when brother's or father's families visit for a temporary stay of 3-6 months as has been observed by Eames. Further the sex-ratio presented a highly imbalanced situation in squatter settlements—sometimes in the ratio of 1:2 for the female/male. In Bombay, in the early sixties at least four out of ten of the married migrants, males were not living in the city with their wives; and therefore, such settlements were more 'masculine' in character.

In regard to 'spatial distribution' of the squatter population, Prof. Dwyer presents the result of various studies done in African, Asian, and Latin American countries and draws the conclusions as follows : (i) variations in the age, sex and marital status of migrants cause significant variations in housing demand/need; (ii) psychological and sociological quality of migrants may help in increased integration into the life of the host cities as they make contributions in the role of the cities' innovating organisations because they also try to adjust to the culture of the city and also inject the cultural 'mores' of the rural life. Still sometimes there might be 'hard cores' who will not do as the Romans do. On the other hand, the analysis of Caplow in Latin American cities has been referred to where the slowing down of the acculturation of in-migrants reduces demographic circulation arising out of the high-rate of increase in urban population. The spatial planning to achieve the social goals in the housing of rural migrants in the cities, it has been emphasized, must assume a more important role in programmes of socio-economic development than is the rule now followed in various programmes; this objective can perhaps be injected under the 'sites and services' schemes which the World Bank has taken up recently in some of the countries of the developing world.

Chapter 3 starts with an interesting title which highlights the 'confusion' that develops in and around the metropolitan cities due to the increasing squatter population. This aspect has been illustrated by depicting the built-up areas and squatter areas and the growth of the population in the built-up areas of the squatter areas. It has been observed that the population increased from over 0.3 million in Manila in 1900 to over 2 million in 1960 alongwith the actual count of 23,000 squatter population, in 1946, to 1.3 million squatters. Notwithstanding this confusion, 'apathy' of the policy-makers goes on unabated; though

deafening sermons have been delivered for action by the various United Nations seminars. Nonetheless, the apathy sometimes has the streak of brightness when some symbolic schemes are proposed which in any case neither enthuse the squatters nor goad the executive agencies to achieve the targets provided under the schemes. In this aspect, Asok Mitra has been quoted by the author in respect of India: "In popular mind, town planning has come to be strangely associated with 'bhavans', show-pieces, expensive plate glass, steel, concrete, aluminium, decorative dust-gathering useless louvres and frills, streets too wide as in Chandigarh for any earthly use, and parks which cannot be enjoyed, it being too dangerous to cross over to them. The gulf between planner and beneficiary widens, favouring former's alliance with the sources of power and money" (p. 95).

In this chapter, Dwyer stresses on the integration of housing plans with national planning, while quoting the rates of housing construction in different countries—both advanced and poor. He invites attention to a cost-benefit analysis of a South Korean housing project. The study comes to the conclusion that the housing provisions by industries can help in the 'reduction in absenteeism' and the improvement in attributes of housing quality reflect in raising the productivity. In real terms the study estimates that rehoused workers have an increase of 28 per cent in the weekly earnings of the dehousing workers and in raising, by 16.3 per cent the return to the industry—which made investment in housing for the workers (pp. 115-117).

In Chapters 4 & 5, the question of high-rise buildings in the developing world has been examined through the case studies on Caracas (Venezuela) and Hong Kong in the context of historical growth. The city of *Caracas*, which was first a provincial capital and later a national capital of a poor and sparsely populated country, till 1920. The population was only 92,000 persons. But when at the end of the third decade Venezuela was discovered as a oil-rich country, explosive urban growth triggered off with the further strengthening of automobile. The city areas expanded with major roads as arteries. High income people, high-rise buildings, and the elites grew, in the fast developing area of the cities including that in Caracas at a rate greater than the population. But later on with the occupation of flat valley lands, the symptoms of land shortages came to the fore and general population of the city more than doubled. As a result a high density tall and costly apartment buildings and office blocks came up—a symbol of dictatorial administration between 1952-1958—alongwith some blocks of 4-15 storey for solving 'rancho' problem—which were bulldozed within few hours' notice. The dichotomy came to exist with 'centre West-East road axis' as a region of affluent

'haves' and in contrast tens of thousands 'rancho' illegal, unplanned and make-shift buildings of the poor, clinging to the hillslopes in Petare and Guaire.

The high-rise super blocks meant for inhabitation of 'rancho' dwellings were in a state of chaos because each one of them had cost US \$ 10,000 and had larger and more luxurious accommodation for which it was not possible to pay the rent by the dwellers. Some 4,000 families, in 1958, invaded the vacant apartments. This invasion itself encouraged further movement of migrants from rural areas. The new towns of Cinidad, Guayana, Ele Tablazo, Maracaibo, Sanfelix, Dalla Costa, Taymedio, etc., came up. One of the factors, suggested to solve the problem in the towns was the preparation of land lots to be allotted to new migrants on the basis of "first come, first serve" along with the provision of obligatory self-help contracts.

With Keith Hopkins, observation that "*Hongkong* is a cruel society in which very little assistance is given to the poor", the Chapter 5 begins. Hongkong is a city where the government is a landlord of 40 per cent and the total population is 40,00,000. All the schemes are for urban high-rise, ultra density of 75,000 persons to the square kilometer (or 200,000 per sq. mile) and the Island has the average density of 9,700 persons per sq. mile. Hongkong, is naturally thus faced with the problem of 'squatter/spontaneous settlements' in an accute way. The population of the spontaneous settlements grew from 30,000 in 1947, to 300,000 in 1959 and 550,000 in 1964. Important squatter camps that developed were huge in areas of which Shek Kip Mei held 80,000 persons and it also developed to sizably 300,000 in mid-1960s. Income distribution was so unequal that 'any average figure' will prove meaningless. The size and the 'rules for accommodation' provided, ranged from 86s q. ft. to 152 sq. ft. and in one room a family of 5 adults did stay.

Hongkong housing programmes cannot be abandoned by the Government because the involvement has reached to a very high degree. The housing policy generally controls 'spontaneous settlements' in order to free the land for permanent development and to reduce the risk of fires in squatter camps; in a way, it has become a compulsory rehousing. Hongkong's remarkable progress has been built due to comparatively suitable price levels; therefore raising the price of lands by large amounts is politically impossible. For the Third World countries, it appears that Hong Kong policy methods may perhaps be more helpful rather than that of Caracas.

While discussing the 'self-help' housing techniques to solve the problems of spontaneous or squatter housing, it is important that the motivation to the

beneficiaries to participate in raising the structure is important. But western style attitudes and methods cannot be applied either in construction techniques or in satisfying the socio-economic needs of the population of the developed countries. Sector problem has been raging also in the developed world but Hong Kong's experiment is advocated by the author; nonetheless the love for Hong Kong cannot be separated from him because he had remained as a policy adviser in this island country.

In the last chapter, Mr. Dwyer has drawn attention to a number of technical and policy aspects, to enable solving the urban housing problems—particularly in respect of spontaneous settlements. But he has emphasized one point which all the policy-makers would like to bear in mind is recognizing the permanency of spontaneous settlements. Any tinkling with this wise dictum and following any methodology which is adopted in Caracas of bulldozing the squatter settlements is fraught with many risks—socially and politically for the present generation and the posterity at least in the Third World countries.

—C.M. PALVIA

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Special Issue on Property Tax Administration

CONTENTS

	PAGE
Editorial	iii
Property Tax : The Major Issues	1
Proceedings of the Seminar on Property Tax : A Summary	4
Some Problems of the Property Tax	7
Property Tax	19
Land Value or Unimproved Value or Site Value Taxation and Economic Growth	26
Capital Value Basis for Property Taxation	35
Correcting Erosion of Tax Base	43
A Case for Property Tax Assessment Tribunals	47
Some Legal Issues and Court Decisions on Levy and Assessment of Property Taxes	53
Assessment of Property Tax	63
Collection of Property Taxes	69
Property Tax Administration in Urban Local Bodies: A Study in Haryana	75
Property Taxes of Urban Local Bodies in Assam	83
An Experiment in Mechanisation in the Property Tax Department of the Municipal Corporation of Delhi	89
Property Tax Administration in Greater Bombay	96
New Viewpoints for Property Tax Studies	102
Book Reviews	
Land and Property Taxation: World Experience (Narrated Taxtion of Urban Land and Buildings)	113
(B. Nanjundaiya)	
A Select Bibliography on Property Tax	115



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Editorial

Property tax is of crucial significance for the municipal government as it is one of its most important sources of revenue. Due to the critical nature of the tax in municipal finances, the IIPA's Centre for Urban Studies organised a seminar on 'Property Tax' during July 14-15, 1972, in which a number of papers were submitted and a cross-section of experts from various walks of life participated in the proceedings. These papers are now being published, along with a few additional papers specially commissioned for the present Special Issue. As has been our practice in the past, we have included a small book review section and a select bibliography on property tax administration. In addition, we have included the major issues identified for the seminar and the seminar proceedings.

It is hoped that this Special Issue will be a welcome addition to the scanty literature on the subject in India and would prove useful to the academics and practitioners of the subject.

Editor

Property Tax : The Major Issues

PROPERTY tax is to municipal government what income tax is to the Central Government and sales tax is to the State governments. Property tax is much more important to municipal government, as our municipal authorities do not have alternative lucrative tax sources. An attempt is made in this note to specify the major issues pertaining to property tax administration.

PROPERTY TAX AND URBAN DEVELOPMENT

At the moment, property tax is being levied without regard for its impact on industrial and urban development within the jurisdiction of a city or a town. As a fiscal instrument, property tax has potentialities for being used as a device for affecting the land use pattern of an urban area. If there is a master plan for a city laying out the achievable land use pattern within it, it is possible to utilise the property tax for the purposes of the master plan land use layout. This would entail a well-thought out municipal tax policy not only for raising revenues but also to achieve the optimum settlement pattern within an urban area. A variable rate structure can be devised to attain this objective. This is an aspect of property tax administration which is generally neglected. A supplementary consideration would be to influence the

land prices through the instrument of property tax. Since urban land values have been sky rocketing in every major city, the possibility of mopping up the increase in urban land values and directing planned urban development through judicious use of the property tax rate becomes urgent.

TAX BASE AND ASSESSMENT MACHINERY

Generally, the Municipal Acts provide for the levy of property tax on the basis of annual value. This raises a host of problems with regard to the basis of property tax. A distinction is often made between the actual rent and reasonable rent and the choice is almost always for the actual rent which is susceptible of understatement. The recent Supreme Court judgment on the issue has further affected municipal revenue adversely pinning down the rent to that fixed under the Rent Control Act. The problem of delinking property tax from Rent Control Act needs special consideration. It has been suggested from time to time that property tax should be assessed on capital value which will make the tax more elastic. The Municipal Acts provide for the levy on 'land and buildings', the scope of which is not always clear. Alternatively, if the scope is thought to be wider, there are further complications

with regard to the assessment of factories, plants and machineries, cinema houses, etc. It is generally acknowledged that property tax which is the mainstay of municipal finance in India is bedevilled by a crude and unscientific system of assessment and levy. Because of immense technical complexities involved in the procedure for assessment and valuation, suggestions have often been made for the constitution of central valuation agency staffed by qualified assessors and valuers. The periodicity of assessment—quin-quennial or otherwise—is another device to make property tax responsive to price changes.

LEVY AND RATE STRUCTURE

The Municipal Acts invariably provide for a protracted and cumbersome procedure for the imposition of property tax or for changes in its rates. The State government assumes an important role in the procedural niceties which often stand in the way of quick implementation of municipal tax decision. It needs to be examined how far the existing procedural complexities are actually necessary in the light of municipal autonomy in tax imposition. Municipal legislations generally lay down the minimum and/or maximum percentage of property tax to be levied by the municipal authorities. The rationale of such legislative provision needs to be examined. Practices vary widely with regard to the actual mode of fixation of tax rate. In some places, consolidated rates mixing up the property tax *per se* and service taxes for specific services are in vogue. While in others, these two are separated. Again, like in-

come tax, property tax also has been sought to be levied on a progressive graduated scale. Instances of levy at flat rates are also not rare. Rate discrimination has in some places been practised in regard to residential and commercial properties. This is, however, not a universal practice. The question of levying the tax on government properties—both Central and State—is another problem. Although the Central government has more or less accepted the principle of local levy on its properties, the rates at which the tax should be imposed including their rationale need to be discussed in detail. An ancillary problem is tax remission. At the moment exemptions of different kinds are provided in law, which have the effect of eroding the tax potentials. The question of exemptions may be discussed *de novo* to find out their justification in the tax system. The tax base is further eroded by competitive taxation on the same base by the State governments. This raises the question of assigning exclusive constitutional tax jurisdiction to the municipal bodies.

ADMINISTRATION AND COLLECTION

A sound administrative machinery is indispensable to steadily increase tax yield. It is frequently alleged that the municipal property tax department suffers from managerial disabilities. Collection standards vary so widely that one might as well say that proper administration is more than half the battle. Proper maintenance of registers, a scientific billing system, drive and initiative of the collection staff, timely steps against defaulters, incentives for prompt payment, scope for

mechanisation of billing and collection operations—all these are important considerations in any discussion on modernisation of the property tax administration machinery in the municipalities.

The possibility of utilising the available collection machineries of the Central and State governments also needs to be explored.



Proceedings of the Seminar on Property Tax—A Summary

THE purpose of the seminar was to discuss the various problems connected with the municipal property tax and to critically examine the ways and means of its assessment, levy and collection. Particular attention was to be paid to the administrative arrangements for the collection of property taxes, so that there was no leakage in revenue.

It was felt that without necessary resources, it would not be possible to improve the civic services and the quality of life of the citizenry. It was noted that different municipal acts contained different provisions regarding assessment, levy, collection and rate structure. There was also no standardization of the concept of rateable value for assessment of the tax. There was agreement that the machinery for tax collection was poor and the collection rate was not satisfactory. Where a number of local authorities function within a city, there was the problem of tax differential and coordination in the tax administration. The human factors assumed a critical role in the assessment function, in the absence of an assessment code for valuation and assessment of property tax.

THE TAX BASE

It was pointed out that the existing system of rental basis of valuation attracted the provisions of the rent control acts and efforts are to be made to sever the connection between the municipal and the rent control legislations. Ideally, a system of capital value basis of taxation, combined with a site-value tax, would be an improvement over the existing situation. One participant from Andhra Pradesh explained that recently, in that State, owner occupied properties were being assessed on the basis of capital value and that the change-over has been completed without any major difficulty. He advocated for a complete change-over to the capital value basis for the rented properties as well, for the sake of uniformity.¹ On the other hand, most of the municipal assessors thought that it would not be wise to entirely scrap the existing system of valuation and efforts should be made to plug the loopholes and get over the various difficulties by suitable changes in the legislation.

ASSESSMENT OF TAX

There was a brief discussion on the

¹This change-over was effected without any legislative backing and, as such, struck down by the High Court.

problems of various degrees of under assessment and defects in rent control. It was felt that there was also the need for increased revenue through proper assessment and collection of areas. One participant pointed out wide differences in the value of the land and suggested suitable training to the municipal officials in the assessment of rental value. A participant from the Municipal Corporation of Delhi pointed out varying interpretations to the concept of reasonable rental. There was a need for a uniform valuation Code even for determining annual rental value.

Regarding assessment, there were two factors: periodicity and method. The problem of under-assessment is linked up mainly to the periodicity factor. Apart from the vocal resistance by the property owners to any increase in assessment, there is also the problem of properties left out of assessment altogether, due to inadequate information system. The small and medium-sized municipalities are not able to undertake proper assessment due to paucity or ill-equipped staff, so much so that many municipalities do not have separate assessment departments. Assessment could be made through a method of occupancy certificates, along with a periodical review of properties, at least once in 3 to 5 years.

Regarding the assessment procedure it was suggested that this should be done on the basis of actual rental and the valuation should be fixed by an independent agency, with representation from the municipalities. The Rural Urban Relationship Committee suggested that in each State, the Directorate of Municipal Administration should have a section for valuation

of property. But this recommendation has not been implemented. There was unanimity about the need for a review authority for correcting under-assessment or wrongful assessment. It was also thought that an expert cell at the State-level could help the municipalities with their expertise for valuation and assessment.

Another participant raised the issue of the various legal and administrative exemptions and connections from property taxes and pleaded for a re-examination of such practices which led to substantial erosion of the tax base. Still another participant pleaded for the use of property tax for regulating the pattern of land-use, promoting house construction and urban development and siphoning off the unearned value of the vacant land. The tax system, according to him, must adjust itself to the growing and changing requirements of the city life and property characteristics so that any tendency towards the shrinkage of the tax base may be corrected.

There was some discussion on the legal aspects of property tax assessment. One participant explained at length the problems arising out of standard rent as the criteria of assessment; cost as the basis of assessment where the rental value is indeterminable; use of balance sheet figures for ascertaining the value of properties, etc. There was a definite correlation between the level of property tax and the availability of civic services, so that the tax could be used as a benefit tax, rather than a tax based on the principle of ability to pay.

Another participant made a plea for establishing administrative tribunals for

property tax assessment and supported his position from the constitution, as well as the recommendations of several committees and commissions. There was a need for appointment of an expert valuer by the tribunal, in case of arbitration. These tribunals need to be independent and impartial and decide issues according to the principles of natural justice. He also suggested the appointment of special tribunals for disposing of a large number of pending cases, consisting of a judge and a few technical experts.

IMPOSITION OF TAX

On the theme of imposition of property tax, the question of the constitutional status of the municipal authorities was raised. Unless the municipalities have their tax sources earmarked in the constitution itself, it was pointed out, the problem of competitive jurisdiction of tax powers with the State Governments cannot be solved. There was also a need for an independent body to look into the state of municipal finances periodically and recommend the level of taxation the municipalities should seek to achieve. One participant pointed out that the seeming progressive rate structure for property tax is not always an attractive proposition from the revenue point of view, since most of the tax payers are concentrated in the lower slabs with low rates of tax. A differential rate structure in terms of different classes of property was suggested. The need for coordination with the tax policy of the State Government in fixing property tax rates was also emphasized.

COLLECTION OF TAX

Some of the traditional methods of property tax collection were examined and suggestions made for streamlining the administrative machinery at the municipal level. In this connection it was suggested that the supervisory posts in the municipalities should be transferable so that tax collection is not subjected to local pressure or influence. Municipal staff should be trained for administration of property tax and there should be separate assessment and collection department in each municipality. As an experimental measure, the system of commission agents for tax collection was suggested. This was opposed on the grounds that the agent might adopt extortionary tactics and harass the citizens.

In order to facilitate collection, certain precautions could be taken, such as, issuance of bills at the proper time, discontinuance of door-to-door collection, collection through the banks, granting of rebates for prompt payment and changing penal interest rates for delayed payment.

The seminar emphasized the need for assessment codes for valuation and assessment, streamlining the municipal legislations to facilitate tax collection and strengthening of the administrative machinery for improvements in tax collection. The need for organizing regular training courses on assessment and collection for various levels of municipal personnel was also emphasized.



Some Problems of the Property Tax

PROPERTY tax, a levy on the lands and buildings constitutes an important source of revenue to the local authorities in India. States where there is octroi levy, the property tax forms secondary source of revenue. The purpose of the paper is to highlight and analyse some of the important aspects of the property tax.

BASES

The property is assessed on capital or annual value of lands or rented properties respectively. In the case of the former the capital value of the property is taken into account while in the annual, the hypothetical value of rent. In a sense, both the bases are spurious and unscientific because, in both the cases, sales evidence and correct information are not available. The question now is that what basis of assessment is suitable to the municipalities in a developing economy. To answer this question, let us devote a few lines to the study of the relative advantages of these bases.

The main advantage of the annual value is that it is based on the income (flow) concept and is much easier to explain to the tax payer—what he has to

pay is just a percentage of his rent. This system will be a success when there is a good deal of renting. But, under this system, a developing town authority will forego a certain advantage which might be obtained due to rise in property values. The reason is that the rental value basis fails to take into account the rise in the property values because the true value may far exceed the capitalised value of rent of the present property, and the true value will go on rising as the town develops, although the rent may have been fixed long ago.¹

This drawback can be avoided by undertaking frequent revaluations, say for every five years, so that any increase in rents will be included in the valuation. But even so, just because an annual value is tied to the current user, the tax base will not rise so fast as when a capital value base is used. Thus Lady Hicks argues that in a developing country it is normally more advantageous to use a capital value base.²

The annual values take the situation as it is and the future values are not taken into account. In short, the rental value is the current or the average of

¹ Hicks, Ursula, *Development from Below: Local Government and Finance in Commonwealth Countries*, Oxford, Clarendon Press, 1961, Ch. 16, p. 356.

² *Ibid.*, p. 357.

several years. Selling prices, however, take into account not only the present rent which the property commands but also the markets expectation of future rents which can be foreseen from the expected development of the property or the neighbourhood.³ Gyanchand says that the capital value makes a more correct estimate of economic importance and therefore the taxable capacity of the owner.⁴

In a tax system equity is important so that the burden will be in accordance with ability to pay. And, its relevance is greater in the case of property tax and the tax burden is supposed to be greater with annual value basis in especially underdeveloped areas. As between built-up and underdeveloped areas rental values tend to create discrepancies in tax powers because of the paucity of rental evidences and the resultant depressed valuation in the latter.⁵ This may account for a greater cost-revenue gap in poorer areas, and if the rates in these areas are revised upwards, this is likely to have what Lady Hicks calls, negative effects causing movement of resources to richer areas in order to avoid higher rates and thus increasing regional imbalances. In case of capital values, inter-local rates may not vary much as these values do not exaggerate

inter-local differences of resources to the extent a rental value would do.⁶ There are various considerations which make capital value tax convenient:

(a) the Central valuation rolls can be profitably used by local bodies where Central wealth tax exists;

(b) rental values, if available, can be capitalized as corroborative evidence to capital value; and

(c) cost of replacement of building minus depreciation or obsolescence can work as an alternative if and when sale evidences become difficult. It may also be noted that in view of the elasticity of the capital value base the marginal cost of administration of the tax may be more than offset by the marginal increase in revenue.⁷

Shoup opines that the gross rentals will be somewhat less satisfactory than the capital value tax with respect to consensus equity, because a few additional discontinuities will usually appear, owing to the difficulty of defining real estate under capital value tax.⁸ In a country where renting of land and building is a normal practice, it would be better to apply annual rental value rating. "One can argue from the British experience

³ Hicks, Ursula, *Public Finance*, London, Cambridge University Press, 1967, Ch. XI, p. 175.

⁴ Gyanchand, *Local Finance in India*, (Kitabistan, Allahabad, 1947). Lecture III, p. 103. Also see Harrijs Lowell C., *Land Taxation and Economic Development*, Istabul, 1970.

⁵ Sinha, K.K., "Case for Capital Tax in Developing Economy", *Quarterly Journal of Local Self-Government*, Vol. XII, No. 3, Jan.-March 1971, p. 226.

⁶ Hicks, Ursula, "Autonomous Revenues for Local Government", *Western Economic Journal*, Vol. VI, 1968.

⁷ Sinha, K.K., *loc. cit.*, pp. 227-8.

⁸ Shoup, Carl S., *Public Finance*, Weidenfeld Nicolson, London, 1969, Ch. 15, p. 400.

itself, that", says Sir John Hicks, "in a country where good rent evidence was normally lacking, the adoption of the British system of rating would be unwise."⁹

Generally speaking, capital values are influenced by cyclical fluctuations rising in a period of prosperity and falling in a period of depression. And thus capital values tend to reflect the oscillations of the cycle—and are less accurate as a basis for levying property taxes than the current income or rental value of property.¹⁰ Moreover, capital values are more difficult to assess correctly than annual values; the price of a recently sold property may not be a good indicator of values of other properties in the neighbourhood. Every property has its advantages and the advantages with which a property is endowed leave their mark on its true value. "For the reason", to quote, Lady Hicks, "an element of judgement enters into the valuation which is absent from annual valuation, at least where there is widespread rent control, and this leads to uncertainty and loss of objectiveness."¹¹ John F. Due suggests

that the capital value approach appears to be far more satisfactory for developing economies than the annual rental basis. With the rental basis, improvements lead to immediate tax increases, and the taxes are tied to existing building rather than potential ones.¹²

Another reason in support of the capital value rating is that the *developmental* value of property is reflected in the assessment, which is based on market selling prices,¹³ and vacant sites as rated. The full development and use of the properties is thus encouraged. The valuation of owner occupied property is more truly in accordance with real values than is the case with assessment on an annual value basis, and the actual valuation in these cases would give rise to fewer difficulties. The system is thus particularly suitable where there is a larger properties of freehold property."¹⁴

However, the *Taxation Enquiry Commission (1953-54)* felt that the fixing of the annual rental value of residential and rented buildings, which forms a major proportion of the buildings in towns

⁹ Hicks, Sir J.R., *Essays in World Economics*, Oxford, Clarendon Press, 1959, Ch. 11, p. 240.

¹⁰ Picard, J.P., *Changing Urban Land Uses as Affected by Taxation*, Washington, D.C., Research Monograph, Urban Land Institute, 1962, p. 30.

¹¹ Hicks, Ursula, *Public Finance*, *op. cit.*, p. 175.

¹² Due, John F. *Taxation and Economic Development in Tropical Africa*, Cambridge, Mass., The M.I.T. Press, 1963, Ch. 7, p. 117.

¹³ To take into account the speculative element, capital value rating is essential. In their Jamaican case study, Sir John and Lady Hicks stress on capital value of unimproved land. See their "The Taxation of Unimproved Value of Land", in Bird, R. and Oldman, O. (Eds.) *Readings on Taxation in Developing Countries*, Baltimore, The John Hopkins Press, 1967, Ch. 33, pp. 431-41.

¹⁴ Report of the Study Group of the Royal Institute of Public Administration, *New Sources of Local Revenue*, London, George Allen & Unwin, 1956, p. 68.

and cities is simpler than the determination of their capital value.¹⁵ Further, the Commission felt that the capital values for properties fluctuate to a more significant extent than rental values. The levy of the tax on the basis of actual or reasonable rent is a levy on actual or potential income from the property and to that extent is a more equitable method of taxation than one based on capital value. Therefore, it recommended that the annual values based on the rent at which properties may reasonably be expected to be let, should be the normal basis for the levy of the property tax, subject to the basis of capital value being adopted in special cases.¹⁶

In the light of the analysis above, it may be concluded that no basis of levy is free from bottlenecks. However, as opined by the experts, annual rental value is inadequate and does not in any way help in mopping up unearned increments because its value is tied to the current user, potential value is not considered under this basis. Unless the annual values are adjusted in the light of the current conditions, it would be fruitless to use that as a basis of rating. Added to this, Rent Control Act has frozen the rents to be estimated under the annual value rating and this is bound to affect the advantages even when the municipalities are prepared to revalue the properties. As suitable measure in this respect, of

course, is to make the Rent Control Act flexible to suit the prevailing conditions.

Therefore, if the rental value basis were to be retained, the Rent Control Act should be amended so that the municipalities can gain to meet their expenditure requirements; otherwise, the State should propose a scheme of recouping the municipalities the loss of revenue. Since the former alternative is undesirable, the latter proposal appears unavoidable. In this connection, Sir John Hicks opines that it would be better to consider that rents fixed in the past, or carried over by custom from the past, require adjustment in the light of current sales.¹⁷ And thus he concludes that the method of valuation depends on the type of evidence which is more readily available.¹⁸

It would, however, be more appropriate to use capital value basis because it takes into account not only the present but also the potential value of the property which serves as a better guide, in developing countries.

ASSESSMENT AND TAX RATES

The defective assessment of the property for tax purpose is one of the main bottlenecks that has impaired its elasticity and productivity. It may seem pertinent to discuss how the present assessment is undertaken in the light of the

¹⁵ Government of India, *Report of the Taxation Enquiry Commission*, New Delhi, 1953-54 Vol. III, Ch. III, p. 543.

¹⁶ *Ibid.*

¹⁷ Hicks, Sir J.R., *op. cit.*

¹⁸ *Ibid.* Also see Sinha, K.K., *Local Taxation in a Developing Economy*, Bombay, Vora & Co., 1963.

historical retrospect. The Act of 1850 authorized voluntary associations in towns to raise the required funds for the purpose of meeting the municipal service charges. No hard and fast rule was laid down and the Commissioners were given considerable latitude in the matter.¹⁹ The greater difficulty in the levy of the property tax arose from the absence of statutory rating and assessment committees. There was a provision in the Act for revising the assessment of the rental value once in every five years, but, in the absence of properly constituted assessing authorities, the practice had been to accept the rent receipts granted by the landlords to the tenants as the basis of taxation.²⁰ Instances were not wanting where, under clandestine arrangement with tenants, landlords granted receipts for accounts lower than the actual rents received, thereby defrauding the municipality of its legitimate revenue.²¹

Moreover, the assessment of properties which were in the immediate possession and enjoyment of the owners themselves, created difficulties.²² In the District municipalities of the Madras Presidency, a majority of the inhabitants lived in their own houses, and, consequently, there was an absence of reliable data on which their rental value could be

assessed.²³ The taxes were levied on a rough estimate by the low-paid municipal assessors, and that provided opportunities for corruption.²⁴

Thus the historical background of the property tax reveals that due to lack of properly constituted assessing authorities, false statements furnished by the tenants prompted by land lords; difficulty with regard to taxing of owner-occupied properties and betrayal of trust by the low paid municipal assessors resulted in large scale reduction in the yield of the tax. Almost all these difficulties continue to persist and let me briefly narrate how the present assessment is defective.

It is no better than the past because the officials deputed by the State Government are those who have experience in revenue collection and not in assessment. Instances are not lacking whereby sanitary inspectors are asked to take up assessment programme. Under these circumstances, assessment cannot be objective, accurate and scientific and at the same time assessment is a job which requires technical expertise. Besides, the assessor's failure to assess the property, either because of his inefficiency and corruption or both; the tendency of

¹⁹ Pillay, K. K., *History of Local Self-Government in Madras Presidency, 1850-1919* Bombay, The Local Self-Government Institute, 1953, Ch. VI, p. 180.

²⁰ Venkatarao, V., *A Hundred Years of Local Self-Government in the Andhra and Madras States, 1850-1950*, Bombay, The Local Self-Government Institute, 1960, Ch. I.

²¹ Pillay, K.K., *op. cit.*

²² *Ibid.*

²³ Venkatarangaiya, M., *The Beginnings of Local Taxation in the Madras Presidency: A Study in the Indian Financial Policy*, Calcutta, Longmans Green & Co., 1928, pp. 1-43.

²⁴ Pillay, K.K., *op. cit.*

understatement on the part of the landlords is at its full swing.

Assessment is inefficient while under-assessment and overassessment are rampant in most of the municipal areas—these have largely been responsible for inequality and unfairness. Similar observation is made by Professor Tripathy who says in the context of the Bihar municipalities that very often in case of persons with substantial holding of property and large local influence, the annual value is underassessed whereas holdings owned by people with small income and very small in size and in bad conditions are overassessed.²⁵

The Need for a Central Valuation Agency

Under these circumstances, it would be better to have an independent Central Valuation Agency in each State, consisting of economists, technical experts and officials from the municipal administration. The essence of the proposed arrangement is that the agency can be asked to carry out valuations as rapidly as possible so that the agency will have the same background and price structure.²⁶ Another advantage with this agency is that even the municipalities

with limited financial resources can have the greatest advantage. The local bodies whose limited resources do not permit the employment of highly paid qualified valuers, will be able to get the services of such experts. Once the agency is set up, reassessment²⁷ can be taken up systematically at regular intervals and the cases of unequal and underassessment which are very common now, can be removed to a large extent.²⁸ At the same time, the agency can not only increase the yield, but also greatly increase equity by bringing in the many properties which at present escape valuation.²⁹

Importance of Revision

In our municipalities, it cannot be confidently said how far there is a rise in the number of taxable items (buildings) due mainly to lack of complete and comprehensive revisions. In municipal jurisdictions where the revision has been carried on, the facts of those revisions were not allowed to be enforced because of the injunctions of the courts. These have helped a large number of properties escape tax liability.

Vijayawada with its 9 per cent annual

²⁵ Tripathy, R.N., *Local Finance in a Developing Economy*, New Delhi, Planning Commission, Government of India, 1967, Ch. VIII, pp. 138-9.

²⁶ Hicks, Ursula K., *Development Finance; Planning and Control*, Oxford, Clarendon Press, 1965, p. 80 and 120.

²⁷ *Ibid.*

²⁸ Report of the *Augmentation of...*, *op. cit.*, p. 39.

²⁹ Hicks, Ursula K., *Development From Below*, Ch. 16, p. 366-7, Also see her *Public Finance*, Ch. IV.

rise³⁰ in assessments takes pride of place among the municipalities in Andhra Pradesh. In Guntur municipality it is reported that some hereditaments miss the tax liability for the reason that the municipality lost its records in the fire accident during 1966-7. No efforts seem to be made by this municipality to restore the lost data, by preparing new lists for revision purpose.

As a matter of fact, developmental activities in a local area stimulate a rise in the values as well as number of properties (buildings). With a view to appropriating the rising values (in whole or in part), the tax rates have to be revised. This is desirable in our local areas and may be taken up by a Central valuation Agency. Quinquennial revision is convenient and less expensive than an annual one. Moreover, annual revision besides being costly would not prove to be advantageous because, property values will not be appreciable enough to justify the cost of revision.

Tax Rates

Let us analyse the rates of the property tax. Precisely it cannot be talked about the amount of tax incidence in the municipal jurisdictions because of the non-availability of data. There is inequality of tax burden and it is not only due to improper assessment but also due to high rate burden. As seen, it is clear that the tax rates are regressive in terms of poor level of civic services. In the con-

text of growing urbanization and widening gap between the desired³¹ and existing level of municipal services, the present tax rates are very high and should be reduced at least by 5 per cent. The tax burden has to be distributed in accordance with the principle of ability-to-pay; but, this unfortunately does not appear to have been taken into account.

The regressiveness of the property tax rates appears to be due to two factors: State Government's failure to prescribe a practicable set of rates on a graded basis and the municipalities' reluctance to enforce genuinely the directives of the State Government. What seems to be desirable is to reduce the tax rates and break them into several classes applicable correspondingly to grades of capital or annual value of the property.

The notion that the property tax failed to be elastic source of revenue to the municipalities is based on the fact that the properties are under assessed; and, not due to the rates which are presumed to be low. Mobilization of additional revenues is desirable and this can be achieved not always through a rise on the tax rate, but by proper assessment and collection. This is what is largely called for in our municipalities.

Property Tax Effects on Structures

The supply of buildings presents a striking contrast to land. Heavy taxes on buildings produce several non-revenue

³⁰ *Report of the High Power Committee on Municipal Finances in Andhra Pradesh*, Govt. of Andhra Pradesh, Hyderabad, 1971, p. 116.

³¹ See Datta, Abhijit, *Urban Government, Finance and Development*, Calcutta, World Press, 1970, Ch. V I.

results.³² A high rate of property tax hits well-constructed, high quality structures more than it does slums and "junk". The element of property taxation which falls on buildings creates an incentive against upgrading of quality. Such undesirable discouraging of private effort to raise quality does not come from the tax on land. When his tax bill goes up because of an owner has constructed a better building, he does not get correspondingly more or better government services. But his investment will usually have produced advantages for others around. As compared with the old, deteriorated, property on which tax was low, the new, high-quality building will bring the general public positive 'neighbourhood benefits'. In urban areas the property tax, combined with fragmentation of governmental units, has a distorting effect on land-use patterns.³³

It would be quite interesting to study the tax rate and the supply of buildings. Theoretically, a fall in the tax rates stimulates³⁴ new buildings because it raises the net price, people are prepared to pay for housing-accommodation. Buildings which would not have been profitable to build before the reduction now become profitable. For essentially the same reason, a fall in rates stimulates

repairs to existing buildings. When there is a rise in the rates the pace of house building will be checked. These reactions would not stop here and they will lead to the migration of capital to those areas where the tax rate is relatively lower.³⁵ Similarly, when the tax rate is low, it would encourage the flow of more capital to the building constructions.

Now, let us see the relationship between the supply of buildings, the tax rate and the rents. In this model, two persons (landlord and tenant) are involved and three variables, (buildings, tax-rate and rents) simultaneously interact. In the first instance, where there is a fall in tax rate, we assumed that new buildings will be built, and this adds to the supply of buildings and competition brings rents down. Thus, if in the first phase, there may be some tendency for landlords to benefit from a fall in the rates, in the following phase the advantage is transferred back to the tenants. In the same way, part of the advantage got by building owners from a fall in rates will be lost to them when increased pace of building diminishes the value of their property.

The same process holds *mutatis mutandis*, a rise in rates. The pace of house building will be checked, consequently the

³² Harriss, Lowell C., "State-Local Taxation: An Overview" *The Tax Magazine*, April 1972, p. 237.

³³ Maxwell, James, A., *Financing State and Local Governments*, Washington, D.C., The Brookings Institution, 1969, Ch. VI, pp. 132-3.

³⁴ Hicks, Ursula K., *Public Finance, op. cit.*, pp. 170-3.

³⁵ *Ibid.* Also see Burkhead, Jesse, *State and Local Taxes for Education*, Syracuse University Press, 1963, p. 106. Professor Burkhead offers optimistic conclusions concerning trends. He suggests that although imperfections remain, property tax resources do tend to be more metropolitan-wide overtime.

ability of the tenants to transfer their increased rate liability to the landlords will be limited by the scarcity of buildings. Looking at the matter generally we may say that, the effective incidence of rates will in the end be transferred to the landlords. But, if the effect on new buildings is large, most of the effective incidence will remain on the tenant.

A high rate of tax would drive capital to that areas where the rate burden is relatively lower. At the same time, a higher rate would tend to make the cost of maintaining the building high which is not conducive to the building development. What appears to be desirable is to find an equilibrium between the minimum and maximum rates leviable so that it would at once ensure stable revenue to the municipalities and not impede the building growth and development. But, then, what should be the equilibrium level of tax rate to municipalities or to a particular municipality is difficult to determine because the financial requirements of the municipalities differ significantly. Under these circumstances, it seems sensible to leave the discretion to the municipalities themselves, prescribing minima and maxima.

More Investment in New Structures

A reduction of tax rate on buildings would reduce the numerous and substantial ill effects of the present tax. The 25 to 30 per cent of the annual value tax equivalent for housing would cause dele-

terious effects to the building activity. The tax relief for obsolete buildings should be slight. For fine, new buildings, the tax reduction could be large in relation to return on investment. For a time the owner (or depending upon rental contracts, the user) would enjoy a wind-fall of higher after-tax income. Market forces, however, would respond to alter matters. How? By supplying more buildings, new and better. Lowering for the years ahead the tax on (new) buildings as an operating expense will increase the attractiveness of cash investment. The competitive position of building in the demand for capital funds will rise. Every decision involving the construction, modernization, improvement or demolition of buildings must be weighed against the tax results. The greater the tax on structures, the fewer the number of investment projects. Lowering the tax ratio would raise the legitimate expectations of benefiting from more investment (in quantity and quality) in housing and other types of buildings.

Market forces will work to replace the old buildings with new because the cost of using new (as compared with old) will not include the large element for government expense now required by the property tax. The owner (or tenant) using the buildings will get more in benefits of occupancy for his rupee. The mighty forces of private enterprise—large in some cases, small in others, will work with fewer impediments in channelling capital funds into new buildings.³⁶

³⁶ For more discussion of the economic forces governing the flow of capital, see Harriss, Lowell C., *The American Economy*, Homewood, Richard D. Irwin, III, 1968.

Vacancy Remission

These are two types: one is due to poverty and the other for vacancies. In former, excessive hardship and indigence are taken into account whereas the vacant or unoccupied period of the property is considered in the latter case. Let us now consider the properties eligible for remission. A general rule in this case is that the property owners or tax payers who are in the arrears to the municipality are not entitled for remissions. This is more similar to the provision that a person in arrears is not eligible to contest for the municipal elections. When a property is vacant for a period of 90 days in a year, remission is granted to a maximum of one half of the amount of the tax to be paid. Properties reserved for occupation or intended to be used are not eligible for remission. Seasonal industries in whose case the work is generally suspended for sometime are not considered to be unproductive and therefore not allowed remission.

Cases of perpetuation of irregularities in the guise of remission have come to light. Employees of some municipalities have been indulging in collusion with the landlords and reporting occupied properties as vacant in certain cases. Where the municipal executive fails to take note of the situation or review the lists of vacancy remissions, these unhealthy practices appear to be rampant. Measures to counter this are: firstly, to reduce the

period allowed under remission so that the vacancy remission may be unattractive; and secondly, to make the payment of the service charges compulsory. The latter measure can be justified on the ground that the municipality has to render its services in general, regardless of the vacancy of a particular parcel of property.³⁷

TAX COLLECTION

The property tax is badly administered because both at the levels of assessment and levy municipalities have awfully failed. A large bulk of revenue is forgone because of the municipalities' negligence and also due to intolerable corruption, bribery and misappropriation. As far as collection is concerned, there is discernible or growing unwillingness to pay the property tax in the municipalities of Indian States and a complaint levelled is that the tax does not confer corresponding benefit. It is unfortunate that with a weak tradition of local government in many of our towns (as also noted by Lady Hicks), it is proved very dilatory in paying attention on the productive taxes.³⁸ Some Indian States found it desirable, in order to galvanize local bodies into activity or strengthen their hands *vis-a-vis* the taxpayers, to enforce minimum rates of taxes.³⁹

The municipalities have to see that the arrears do not accumulate, and there are no delinquent cases. Recourse must

³⁷ For a detailed analysis, see Bhattacharya, M.K., "Property Tax in Urban Local Bodies in India: An Examination of Some Important Issues", *Quarterly Journal of Local Self-Government*, Vol. 39, April-June 1969, pp. 265-6.

³⁸ Hicks, Ursula K., *Development From Below*, *op. cit.*, Ch. 18, pp. 415-6.

³⁹ *Ibid*, p. 416.

be had to the civil courts or a threat of imprisonment must be made available. Clearly the latter is not desirable, although as a way of securing payment it is practicable, where the social security system of the extended family is still strong enough to ensure that payment will be forthcoming.⁴⁰ The difficulty with the legal action is that the procedure tends to be very slow so that the tax arrears may go out of hand. And, in order to overcome this, the possibility of special court for property tax rate cases should be examined.⁴¹

Streamlining the tax administration and establishing useful relations with the tax-payers are some of the measures required to improve⁴² tax collection. The absence of periodic transfers⁴³ of the tax collection staff resulted in fraudulent practices in tax collection. Transfers have to be made and departmental supervision has to be effectively enforced so that there would be an improvement in the standards of tax collection.

There should be purposeful relations between the tax-payer and the tax admini-

nistration. As the property tax is one of the direct taxes, and as direct taxes are bound to be more strongly resisted than indirect, the cooperation of the tax-payers is essential. Where there is a tax rise, the administration should explain the reason for such an enhancement. Lady Hicks feels that it is desirable to take very special steps to reassure tax-payers that it will be spent on something for which they have a real desire⁴⁴ (such as education for instance). She further opines that in a developing country more direct contacts, and purposeful public relations with tax-payers may be necessary at least until the system is understood.

It may also be suggested that for each tax collector, a target of collection should be fixed for every quarter of a year and if he fails to fulfil ninety per cent of the target he should be punished for his failure.⁴⁵ The information available indicates that the average percentage of tax collection to total (current and arrears) demand in the Indian municipalities is 37.6 and it is 74.9 per cent⁴⁶ during 1960-1. While the current collection is not very much encouraging in some municipalities, the arrear collection of the property tax is

⁴⁰ Hicks, Ursula K., *Development Finance*, *op. cit.*, p.82.

⁴¹ *Ibid.*

⁴² As a measure to improve the property tax collections and reduce expenditure on tax collection personnel, the *High Power Committee...op. cit.*, has recommended the need for opening counters in the municipal town.

⁴³ The Government of Maharashtra has introduced transfers to the tax collection personnel with a view to achieving high levels of tax collection. See *Nagarlok*, Municipal Affairs Quarterly, Vol. III, 1971, p. 35.

⁴⁴ Hicks, Ursula K., *Development Finance*, *op. cit.*

⁴⁵ Tripathy, R. N., *op. cit.*, p. 153.

⁴⁶ Report of the Committee on *Augmentation of ...*, *op. cit.*, Appendix IV, p. 358. Also see Datta, Abhijit and Ranney, David C., *op. cit.*, Ch. I.

lamentably poor. It may be added that the success of the property tax depends not only upon the assessment and tax rate, but also on its collection. In other words, objective assessment as well as levy are not an end, being only a means to an end, namely, fair and prompt collection.

OVERVIEW

Our municipalities are not short of revenue potentialities, but what is wanted is the intention to use them. Even though the selection of base is a controversial issue and switching over to large-scale resentment from the rate payers, there seems large scope for the capital valuation. The inflationary trends cause upward movement in the cost of civic services which require more money. However, the sources of revenue over a period remained stationary but the financial commitments kept on increasing. This should be appreciated by the tax-

payers and by the tax paying authorities.

While this is the situation with respect to the selection of the base, assessment and levy require a number of reforms. Complete and comprehensive re-assessment has hardly been done, and in those cases where it has been carried out, litigations have sprung up and impaired the operation of the revised rates. At the same time, angularities, unfairness, and lack of expertise have also come in the way of assessment. Under these circumstances, a Central Valuation Agency can be resorted to be a better alternative. The standards of tax collection have to be improved. While the municipalities are tapping only a small amount of their existing potential, the collection performance is less than satisfactory. Incentives for higher performance of collection and deterrents for the performance below a prescribed limit would help the situation.



Property Tax

“PROPERTY Tax is a tax levied upon that body of economic goods and rights of the tax payer which is generally levied for the purpose of producing a recurrent flow of goods and services, known as income, and which under ordinary circumstances is expected to remain intact in the course of the income yielding process. The property tax is not, as the term might suggest, as a tax paid out of property. It really aims to reach the income derived by the owner from his possessions and uses property merely as the basis of assessment on the assumption that it constitutes an adequate index of taxable capacity”.¹

In the context of local taxation, property tax may be divided into four principal categories:²

- (i) Taxes on buildings (including taxes on buildings in conjunction with lands and on lands which are vacant but are capable of being built upon);
- (ii) Taxes on unearned increment in connection with town improvement (betterment) schemes;
- (iii) Taxes in the shape of a stamp duty on transfer of property; and

- (iv) Cesses on lands (which are usually cesses on the land revenue to which the lands are assessed).

Usually taxes in the first category are the property taxes levied by municipalities, municipal corporations and village panchayats. The second category of taxes are levied by that local authority which undertakes the improvement schemes. Generally, taxes in the third category are mainly levied by the State Government, and the taxes in the fourth category are usually levied by local boards and village panchayats.

In this paper, attention is confined to the tax on lands and buildings levied by the urban local bodies which usually takes the shape of general taxes and service taxes. Service taxes are broadly in the nature of charges for water, drainage, lighting, conservancy, etc. They are collected along with, and assessed on the same basis as, the general tax. In respect of municipal corporations a provision for the compulsory levy of property taxes exists.

PROPERTY TAX IN UTTAR PRADESH

The Uttar Pradesh Nagar Mahapalika Adhiniyam, 1959, makes it obligatory for the Nagar Mahapalikas in the

¹ *Encyclopaedia of Social Sciences*, Vol. XII, p. 538.

² *Report of the Taxation Enquiry Commission*, 1953-54, Vol. III, p. 375.

State³ to levy the property tax which consists of the following taxes:

- (i) a general tax which may be levied if the corporation so determines, on a graduated scales;
- (ii) Water tax;
- (iii) drainage tax leviable in areas provided with sewer system by the Mahapalika; and
- (iv) a conservancy tax in areas in which the Mahapalika undertakes the collection, removal and disposal of excrementitious and polluted matter from privies, urinals and cess-pools.

The tax is leviable on buildings and lands in the city. These taxes are to be levied on the annual value of buildings or lands as the case may be. The aggregate of the taxes should not be less than 15 per cent and more than 25 per cent of the annual value.

ASSESSMENT AND LEVY

The assessment function involves numerous technical and clerical activities that are required to convert a mass of data into a tax base. Assessment is an official function of discovering, listing and appraising property, whether performed by an assessor, a board of a review or a court. Thus there are three basic duties to be performed in the assessment

of taxable property. First, the local authority must discover the existence of taxable property; second, he must find out who owns it or who is liable for the taxes to be levied by reason of its existence; and third, he must determine how much the property is worth.

The Mukhya Nagar Adhikari is responsible for the preparation of the assessment list of all urban lands and buildings. The list should contain the name of the street or Mohalla in which the property is situated, designation of the property either by name or by number for purposes of identification, the name of the owner or occupier. The annual letting value or other particulars determining the annual value and the amount of tax assessed on the property should also be included.⁴ Thus the assessment list is the final product of the assessing function. It must always show the assessed valuation of each parcel of taxable property, in the assessment district, description of properties and names of all known owners, and the assessed valuation of taxable property for each owner.

After its preparation, the list is open for public inspection. In cases where the property is assessed for the first time or where assessment is increased, a notice should be given to the owner occupier. However, notice can be served, only if the owner is known, specifying the date before which objections to assessment

³ Nagar Mahapalika means Municipal Corporations of KANPUR (Kanpur, Agra, Varanasi, Allahabad and Lucknow) towns in Uttar Pradesh.

⁴ In the U.P. Nagar Mahapalika Adhiniyam, 1959-Section 174, the annual value means in the case of Railway Stations, Colleges, Schools, Hostels, Factories and other such buildings, the estimated present cost, less the depreciation, and in case of other buildings or lands falling in these categories, the fair letting value on which the property is expected to be let year to year.

and valuation are to be made. All objections thus received should be registered in a book.

While the assessors are free to determine values in the first instance, such values are subject to review. The limitations and review of the assessor's work do not lessen his responsibility for accurate appraisal. On the other hand, they enhance the need for accurate appraisals that can be produced only by sound methods in order that the values derived therefrom will survive the most critical review.

The Executive Committee of Mahapalika is vested with powers to review the objections filed by the assessee relating to valuation and assessment. It may delegate its power to the sub-committee constituted for this purpose. The date for the meeting of the Committee, which will consider the valuation and assessment list, is fixed by the Mukhya Nagar Adhikari. Assessee should be afforded an opportunity to represent their side either in person or by their agent. The committee may overrule the objections in which case its decisions are to be recorded. In case the committee considers it justifiable, necessary changes are made in the assessment list.

The annual value has to be refixed every five years. Every valuation and assessment entered in a valuation list is valid from the date on which the list comes into effect. It will be in force until the first day of April after the completion of a new list. However, the Executive Committee is empowered to amend or alter the list in the meantime. The old assessment list or any part of it will con-

tinue to be in operation if the new list cannot be put into operation on account of the intervention of a court of law.

The Executive Committee is empowered to amend the list during its operation in the following cases:

- (i) Property, inadvertently, left out or which has become liable to taxation subsequent to the authentication of the assessment list can be included in the list;
 - (ii) Where transfer of ownership or occupation takes place corresponding changes can be made in the list;
 - (iii) Where valuation or assessment has been incorrectly done as a result of fraud, misrepresentation or mistake, necessary enhancement can be done; and
 - (iv) Where the value of the property has increased due to additions or alterations, revaluation and reassessment can be made.
- In all these cases, one month's notice and intimation of the date from which the alteration would be effective to the interested party is obligatory.
- (v) Where there is a change in the percentage at which the tax is to be levied corresponding changes can be carried out in each case; and
 - (vi) The valuation of any building can be reduced if it is partially or fully destroyed, either on its own initiative or upon an application of the owner.

CRITICISM

The property tax has been criticised by many students of tax administration. In the opinion of one authority, it is "one of the worst taxes known to the civilised world". Many of the objections centre round the basis of levy and assessment procedure.

BASIS OF LEVY

In most local bodies, annual value or "ratable value" forms the basis of the tax. This is arrived at on the basis of rent at which the property can be reasonably let from year to year. It has been frequently suggested that the basis should be changed to one of actual rent. In practice, the actual rent is accepted as the "reasonable rent", unless collusion, concessional rent etc. are suspected. The right to assess on a "reasonable rent" guards against this malpractice.

The Rent Control protecting the tenants with reference to rent which prevailed on a specified date and of laying down that this cannot be increased at all or cannot be increased beyond a specified percentage adversely affected the tax. In many cases, statutory recognition of the principle that in respect of any land or building, the annual value for purpose of assessment should not exceed the annual standard rent fixed under the rent control legislation has been accorded. So, it is held that the annual rental value of all urban properties has remained frozen and the property tax which normally should have been flexible and a

growing source of revenue to local bodies has not been yielding the desired results.

The report of the Committee on Augmentation of Financial Resources of Urban Local Bodies has pointed out, that "unless the property tax is freed from this restrictive influence of the Rent Control Act, it cannot really yield the desired results. We consider such a step necessary because the Standard Rents have been fixed a long time back either by an order of the Rent Controller or under a contractual agreement between the landlord and the tenant about the stipulated rent for specified period".⁵

It suggested two methods to get over this predicament:⁶

- (i) By imposing a surcharge which may be to the extent of 25 per cent on the existing property tax and allowing the property owner to shift the entire burden of this surcharge on the tenant; or
- (ii) By a suitable provision to be made in the Municipal Act as well as the Rent Control Act which would enable recovery of the difference between the property tax based on the reasonable annual rental value and the standard rent fixed by the Rent Controller from the property owner and allow him to treat this difference as arrears of rent for the purpose of recovery.

⁵ *Report of the Committee of Ministers* constituted by the Central Council for Local Self-Government, November 1963, para 9, pp. 39-40.

⁶ *Ibid*, para 9, p. 40.

But the Taxation Enquiry Commission, earlier, held a contrary view:

"...the controlled rent must be assumed to be reasonable rent; and we are unable to agree that municipalities should in effect be permitted to ignore the very fact that a particular limit has been set by statute to the rent which the landlord may levy and make the assumption that he may "reasonably" obtain a rent which exceeds that maximum. Nor are we able to agree with the other suggestion viz., that the landlord should be permitted to pass on to the tenant the increase in the tax which would result from the previous proposal. The real issue raised by the suggestion is in regard to the level at which the rent happens to be controlled, and the proposal is in effect that level should be raised to the extent that the tax may be raised on the basis of a "reasonable" reassessment higher than the controlled rent. This raises the larger question as to the levels at which rents should be controlled from time to time. What is clear is that the Municipality cannot through revision of assessments, be allowed in effect to decide that question and in individual cases alter the level prescribed by Government."⁷

The Taxation Enquiry Commission appears to have taken a correct stand. The greatest drawback of local bodies has been the inefficient tax administration,

both in respect of assessment and collection. Empowering the local bodies to determine the "reasonable rent" would, therefore, be imprudent at this stage. Shifting the incidence of tax in whatever form to the tenant also results in the ultimate enhancement of the rent paid by him. Until the local bodies show distinct signs of improved administrative competence, it is unwise to arm them with the power to determine "reasonable rent" as against standard rent fixed by the Rent Control Legislation.

It is often felt that the annual value basis is inadequate and lack comprehensiveness. As an alternative, capital value basis is advocated under which the annual taxes can be related to the current market value of the property without taking into consideration the income derived from the owner. It will also impart flexibility to the revenues from the property tax.

But the determination of the Capital value is complicated. Capital value of the properties also fluctuates more violently than rental values.

The Taxation Enquiry Commission agreed with the observations made by the Local Finance Enquiry Committee that there should be no change from the well levied basis of rent to the more or less uncertain basis of capital value.⁸ The Committee on Augmentation of Financial Resources of the Urban Local Bodies stated that it is not necessary to make an outright departure from the present system.⁹

⁷ *Report of the Taxation Enquiry Commission, op. cit.*, para. 6, p. 7.

⁸ *Ibid.*, para. 10, p. 379.

⁹ *Ibid.*, para. 20, p. 48.

The predominant place that the property tax occupies in the financial structure of local government warrants insistence that it be administered in accordance with the best standards and practices. If the basis of levy is sound and the assessment function is well performed other aspects of property tax administration become comparatively simple.

ASSESSMENT AND COLLECTION

Defective assessment and indifferent collection has been a chronic problem. This tax has been under-utilized and collection of even the partly assessed tax has been apathetic. There has been under-valuation of property and the popular representatives on whom, in most cases, lies the burden of finalising the assessments are incapable of dealing with the complicated problems of valuation of property.

Even, where the assessment work is done by officials deputed by the State Government, assessment remains unsatisfactory on account of lack of adequate training and inexperienced staff.

Further, it has been pointed out that where the assessment has been done with all care and competence its benefits are lost at the appeal stage to the Committee, consisting of elected representatives. In this connection the Taxation Enquiry Commission recommended that no revisional or appellate functions should be vested in municipal Councillors.¹⁰ The Augmentation of Financial Resources Committee pointed out that the American experience has taught us, that

efficiency of assessment is incompatible with local control of the assessor.¹¹

Both Committees have recommended that this work should be entrusted to a Central Valuation Agency which can discharge its functions with the assurance that it will not thereby offend its own masters.

CONCLUSIONS

Thus the choice is between a positive approach which encompasses the efforts to improve the efficiency and competence of tax administration by local bodies in general and property tax laws in particular and a negative approach which includes the transfer of assessment function to the State or an independent agency. The latter approach is a poor practical remedy. The divided responsibility for assessment and administration of property tax is fraught with many defects which may create more problems than can be solved. The compromise appears to be in the harmonious blending of a policy of close co-operation with and practical assistance to local bodies by the State or independent agencies. Attitude of the central agencies should not be characterized by overlordism but by helpful advice.

The Central agency should confer with, advise and assist local bodies so that the original assessments made by the local bodies, satisfy the canons of equity. The central agency should develop an adequate organisation and undertake the preparation and distribution of instructive manuals. This should be supplemented

¹⁰ *Report of the Taxation Enquiry Commission op. cit.*, para. 38, p. 392.

¹¹ *Report of the Committee of Ministers, op. cit.*, para. 8, p. 39.

by the periodic training programmes for local assessors.

At the local bodies level, institutional innovations will prove fruitful provided they satisfy certain fundamental requisites. The organisation vested with tax responsibility should be designed in accordance with sound principles of administrative procedures. The staff

working in the organisation should be competent and their working conditions should ensure a high morale. Duties imposed on the organisation must be reasonably accompanied with adequate legal power to discharge them. Lastly, the organisation should endeavour to develop new and better techniques of tax administration.



Land Value or Unimproved Value or Site Value Taxation and Economic Growth

IF we decide on a capital value base, the next issue is to settle between the use of a full market value or so-called unimproved value base. This is, of course, a very difficult task to settle because the appropriateness of one base or the other depends very much on the stage of development and the type of town. The attraction towards the unimproved value base essentially originated with Henry George who was very much impressed with the rapid rise in land values during the Gold boom in California in the 1870's and 1880's.

As a matter of fact economic development is frequently accompanied by growth of population and its increased concentration in urban areas imposes greater demands on the Government for the provision of essential services like light, road, transport, educational facilities and others, sometimes at a considerable cost. Now the problem is as to how to apportion the cost equitably among the members of the community.

With the growth of population and increase in the standard of living, land value inevitably increases, some times abruptly. That is why many Governments

have sought ways of allocating this cost among the land owners who benefit directly or indirectly from rise in land values.

The philosophy that land owners should bear this cost originated partly in the classical theory of land rent as an unearned increment. According to Ricardo, rent from land is essentially a private expropriation of its natural productivity or site value (location) which does not originate in human effort or skill.¹

A tax on such unearned increment in land value does not impair the use of the land or deter production.

J. S. Mill in his support to this view remarks : "Suppose that there is a kind of income which constantly tends to increase without any exertion or sacrifice on the part of the owners: those owners constituting a class in the community whose natural course of things progressively enriches, consistently with complete passiveness on their own part. In such a case there would be no violation of the principles on which private property is grounded, if the State should appropriate this increase of wealth, or part of

¹ See Ricardo, David, *Principles of Political Economy and Taxation*, First Published, 1817.

it, as it arises. This would not properly be taking any thing from any body, it would nearly be applying on accession to wealth, created by circumstances to the benefit of society, instead of allowing it to become an unearned appendage to the riches of a particular class."²

This principle underlies the theory of single tax on land, developed by Henry George,³ which has considerably influenced property tax policies, especially in English speaking countries.

There are very few fiscal experts who support the idea of single tax in modern time. The taxation of increments in land value, is however, defended by many as a valid proposition. These persons hold the view that the substantial increases in value accruing to holders of urban as well as suburban land represent a reservoir of value which can properly be tapped to meet the social needs of developing communities without adverse effect on incentives.⁴

What we really mean by land value tax is the tax on location value of the site without the improvement—the tax on what the site would be worth if the owners had done nothing and spent nothing to improve it.

The improvement tax is the tax on what the owners have spent their own income. While giving a clear conception

of site value of unimproved value Prof. J. R. Hicks and Lady U.K. Hicks point out as follows: "Unimproved value of any land means the sum which the owner's estate or interest therein, if unencumbered by any mortgage or other charges thereon, might be expected to realise at the time of valuation if offered for sale on which reasonable terms and conditions as a bonafide seller might be expected to impose, and if no improvement (as hereinafter defined has been made on the said land".⁵

These two taxes—the improvement tax on what the owner has done and spent to improve the property, and the location tax, the tax on what other people have done and spent to do his location more desirable and more valuable—have such different economic and social consequences that require careful consideration. The change from improved value to unimproved value is usually thought of as incorporating two sorts of changes. One is that sites which are ripe for development will be assessed at their potential value as sites for development, rather than at their value in their existing use; the other which is more important, is that the value of improvements will be excluded from the assessed value of properties. That is to say building and other improvements will be derated.

With the expansion of a town or of

² Mill, J.S., *Principles of Political Economy & Taxation* (Toronto, 1965): first published in 1948, p. 819.

³ See George, Henry, *Progress & Poverty*, Book XIII, Ch. III, first published in 1879.

⁴ Lent, George E., "The Taxation of Land Value", *International Monetary Fund Staff Papers*, Vol. XIX, No. 1, March, 1967, p. 90.

⁵ Hicks, J. R., & Hicks, U.K., "The Taxation of the Unimproved Value of Land" (quoted from *Readings on Taxation in Developing Countries*, edited by Richard Bird & Oliver Oldman, The John Hopkins Press, Baltimore, 1964, p. 403.

the business quarters of a town, the value of the surrounding properties rises. This is due to the fact that there is an expectation that the property will be more usefully utilised in future. Consequently speculators start acquiring more plots of land with the hope of making a speculative gain later on when development materialises.⁶ Even those plots of land which are not let off for sale in the market are retained by the holders of land themselves in the expectation of selling them at a better price later on.

It is, therefore, maintained that one of the advantages of the unimproved or site value rating is that such speculators will have to pay a tax or rate which is proportional to the value they themselves set upon the land including its development value. As a matter of fact, site value tax is essentially a tax imposed upon speculators. Naturally speculators will be compelled to sell the land in market and thus development will be much cheaper and will proceed faster.⁷

Leaving a heavy tax on the improvement, on the other hand, in no way encourages property owners for improving their properties. On the contrary, a heavy tax on improvements shall act as a deterrent to improvements. Moreover, heavier the tax on improvements, the bigger the deterrent.⁸

The higher tax rate in cities drives investors elsewhere, both home builders and industry, because whoever puts a new building under this state of affairs tends to become a fiscal generator and no one would, indeed, like to be so. It means one pays more in taxes than one gets back in services. So the central cities move into the downswing of this circle. In such circumstances, cities would lose industry and consequently lose employment opportunities. Naturally the cities would be left with nearly, old buildings which will attract persons with low income who increase welfare costs. Now the increasing burden of local units can be solved in two ways. One is to get back more (tax-money) from state governments. The second way is for cities to get more of their taxes from the land base rather than the building base or improvements.⁹

Moreover, when building is freed from tax and the burden instead is shifted to land, tax base is not reduced because it is basically taxing the same real estate, just differently. It will not be an exaggeration to say that by levying the property tax on site value alone, the tax revenue would increase.

Not only the building tax is a bad one because the private income tax is maximised at a much lesser intensity than would maximise the sum of private and public income. Thus it creates an artificial

⁶ Hicks, J.R. & Hicks, U.K., *op. cit.*, p. 404.

⁷ *Ibid.*, p. 404.

⁸ Prentice, P. J., "Case for Taxing Location Value", *Am. Journal of Economics & Sociology*, Vol. 28, No. 2, April 1969, p. 149.

⁹ Gaffrey, M. Mason, "A Tax Tool for Meeting Urban Fiscal Crisis", *Am. Journal of Economics & Sociology*, Vol. 27, July 1968, p. 253.

conflict between private interest and public interest. The site value tax in contrast is free of this fault.

If improvements from property be exempted from taxation it will be difficult for the cities to get adequate revenue to meet their growing needs. In support of this proposition it is maintained that there should be heavier taxes on location value of land.

The advocates of site value taxation give several reasons for heavy taxation as a means of resource mobilisation to meet the growing municipal needs of the towns. Out of these several reasons, few of them are, of course, quite pertinent for our consideration. After derating improvements the land value tax should be increased simultaneously. If we do not offset untaxing improvements by uptaxing land, every local government would have to either go broke or impose a lot of new local taxes that would almost certainly hit the average family and the average business harder.¹⁰ Secondly, we cannot afford to go on taxing ourselves and at the same time granting subsidies to land speculation and land price inflation. It is true that this sort of subsidy is well hidden. The secret subsidy to land speculation and land price inflation is made through tax treatment. It almost completely exempts land speculation from the ordinary working of the law of supply and demand.¹¹

While appreciating the extreme poten-

tialities of land speculation, Marshallfield, the Dept-store-tycoon-turned-multi-millionaire-land speculator, once said: 'I would not call owning land a good way to make money, I would not call it the best way to make money, owing land is the only way to make money.'¹²

John Stuart Mill also once remarked that 'land owners can get rich in their sleep.'

David Ricardo points out that 'the interest of the land owner is directly opposed to the interest of every other element in the economy.'¹³ That is to say what is good for the land owner is no good for any other else. Land price inflation is beneficial for the land owner but it is extremely bad for the land developers, home buyers, home builders and for all others.

Thus it is sheer foolishness to single out the land owner whose interest is so opposed to every one and reward him with the most costly subsidy.

Thirdly, the owners of unused and underused land on the outskirts of our growing cities are so much under-taxed that they are under no tax pressure to let their land be put to a better use when it is needed for orderly urban development. That is what Winston Churchill meant when he said the land owners' profit is often in direct proportion to the disservice he had done to the community by holding his land off the market when

¹⁰ Prentice, P. G., "Case for Taxing Location Value", *American Journal of Economics & Sociology*, Vol. 28, No. 2, April, 1969, p. 150.

¹¹ *Ibid.*, p. 151.

¹² Ricardo, David, *op. cit.*

¹³ *Ibid.*, p. 152.

it was needed for orderly development.¹⁴

Land is either untaxed or if taxed, it is taxed very lightly and as a result of which home builders and manufacturers are forced to leap frog further and further to find land in the countryside to build new houses and establish new factories. This tendency grown out of low taxation of land breeds sprawling and leap frogging. Sprawl multiplies and so does the cost of almost every municipal service. It also causes waste of time, energy and money to the city dwellers.

Sprawl, again, multiplies the job finding problems of the poor and under-qualified by shifting too many of the jobs they could fill and hold too far from the place where poverty makes them live. Another argument in favour of heavy taxation of unimproved value of land is that most new buildings are better planned and well designed but under taxation of land fails to compel the land owners to spare land for planned urban growth.

But proper assessment of valuable unused and underused land is not all that is needed. If the discouragingly high tax on improvements is to be lowered the tax rate on unimproved land will also need to be at least doubled or tripled. Nothing less than that will put enough pressure on the owners of unused, under-used and misused land to let it be put to

fuller and better use instead of holding it off the market as a speculation.¹⁵ Dr. Hoover points out that relieving improvements and taxing land instead would penalise the speculators for holding land out of use or inadequately improving it.¹⁶ In Australia, for example, it was found that where land was taxed more heavily and capital was relieved or untaxed, there was a decline in vacant holdings.

There is one more effective argument for imposing heavy taxation on unimproved value of land and that is a better way of developing cities. It is not possible to do more than a patch work job of urban renewal and urban modernisation unless urban land is heavily taxed. In order to get rid of slums in urban areas, it is extremely unwise to subsidise slums by assessing and taxing land lightly. Thus we feel that the most effective method of achieving maximum utilisation of land is by a system of taxation which would penalise poor use of good land. The special tax on unimproved land imposed in various countries and the mild penalty tax on unimproved and unutilised urban land in Columbia are precedents in point.¹⁷

If it is desired to minimise suburban sprawl and stop blighting the countryside with premature subdivision, it is foolish to assess and tax land so lightly that land owners will be under no tax pressure to release their land at a

¹⁴ Ricardo, David, *op. cit.*, p. 152.

¹⁵ *Ibid.*, p. 155.

¹⁶ Brown, E. R., "The Case for Abolishing Unearned Income", *American Journal of Economics & Sociology*, Vol. 20, No. 1, October, 1960, p. 60.

¹⁷ I.B.R.D., *The Basis for Development Programme for Columbia*, Washington, 1950, Baltimore, The John Hopkins Press, 2nd & 3rd edition, 1952-53, pp. 384-87.

reasonable price when it is needed for orderly urban growth.

Again, in order to hold down the cost of municipal services it is an unwise step to under-tax under-used urban land and so encourage sprawl, for almost all municipal cost water supply, sewage disposal, garbage collection, streets, fire protection, electricity and other utilities are multiplied by distance.

The remedy for all these urban problems is simple, provided improvement is untaxed and unimproved urban land value is, instead, heavily taxed.

Dr. Hutchins went on to conclude: "The remedy is surely simple, take the property tax off the improvements and put it on the land. The owner would then be taxed on what the community had done for him by making his land valuable. He would not be punished for what he had done for the community by putting his land to good use."¹⁸

A tax on site value is based upon the economic surplus and because of this it does not impair economic incentive to make more productive use of the land. Indeed, if land is assessed to reflect its most productive use such taxation can be employed to encourage the use of idle land and to put underutilised land to more effective use.

If a piece of land in urban area is

taxed it will neither get up nor walk out of the town. But if the building is taxed likewise, it will not walk out of the town today, but as it grows older and sinking fund to replace it instead of being reinvested here (I mean the same city), will be reinvested elsewhere. Consequently, it will create fiscal crisis in the city. The site value tax achieves the same redistributive equity as our utility pricing practices do, that is, it taps central rents to benefit every one, spreading the rent thin.¹⁹ Another advantage of the site value system at the national level and also at the local level would be to increase employment opportunity in construction business first, and through reverberating effects in all businesses. By removing taxes from building one could encourage more frequent renewal. The effect is somewhat the same as lowering the interest rate paid by builders when they borrow and thereby employment opportunities would be widened and welfare cost would be reduced.²⁰ The justice of such a policy is strongly defended in countries where ownership of land is sought as a refuge from inflation. The diversion of capital to investment in land tends to accentuate the rise in land prices and provide a hedge against erosion of capital value. By effectively taxing such appreciated values under a property tax, Government can better apportion its rising costs among those realising the greater benefits.²¹

¹⁸ Prentice, P. G., *The Case for Taxing Site Value*, op. cit., p. 158.

¹⁹ Gaffrey, M. Mason, "A Tax Tool for Meeting Urban Fiscal Crisis", *American Journal of Economics & Sociology*, Vol. 27, July, 1968, p. 258.

²⁰ *Ibid.*, p. 258.

²¹ Lent, George E., "The Taxation of Land Value," *I.M.F. Staff Papers*, Vol. XIX, No. 1, March 1967, p. 91.

It is important to point out here that the economic rationale of taxing urban land value is based on Seligman's analysis of tax shifting and incidence. A tax on land is capitalised and hence cannot be shifted. The argument for taxing urban land value as pointed out by Mary Rawson, justified on two grounds:

- (i) Taxation, as a social phenomenon has a claim on land value which has been caused by the society, and
- (ii) Secondly, other things being equal, a tax on land value tends to lower the asking price for land and thus to make more sites available for development, or at least, at lower price.²²

She substantiates her second argument in the footnote by saying that it follows from Seligman's axioms. But perhaps being less sure about the fall or degree of fall in the asking price, she states that this idea is better understood by saying that a fall in the tax would lead to a higher asking price.

Now on theoretical consideration it is quite presumable that the asking price for land may go down as a result of the reduction in the tax. But does this also not mean that the new owner, purchasing land after the tax pays lower price now with the obligation of paying higher taxes annually in the future years? The strength of the argument, thus, lies in the fact that it enables government to take a

portion of the so-called unearned increment than in reduction of land price. It may, of course, be argued that the tax may lead to more marketable supply of land and due to this supply, price may go down. But the propensity of holding land in the bigger cities may be quite high and supply of marketable land may not increase to a large extent.

But the effect of such a tax may be quite deep and widespread in an old city with predominantly dilapidated structures carrying currently low rent with high potential land price. All lands are not necessarily held by speculators and without having a full account of the pattern of land ownership, such a tax may not be advisable if it is high enough to lead to widespread transfer of property.

The question of replacement of the existing property tax by site value rating has been examined closely by Netzer and according to him such a replacement is not perhaps possible or feasible both from the point of view of equity and revenue adequacy. The serious equity problem arises because in the words of Netzer, "Whatever, the unearned component of the present value of land, land is not necessarily in the hand of those who have received the unearned increment; because many present owners have paid full value of their investments."²³

To substantiate the revenue adequacy argument he refers to the recent study by

²² Rawson, Mary, *Property Taxation and Urban Development*, Urban Land Institute, Washington, 1961, p. 10.

²³ *Ibid.*, p. 10.

James Heilbrun²⁴ in which it was observed that unless the tax policy is to take away all the rent element in land from private owners, the site value rating may not be instrumental in producing the currently taxed revenue from property tax. And in the including analysis Mary Rawson pleads that such a site value rating furnishes unique opportunity in the hand of the Government to initiate urban redevelopment without any cost on the part of the government.

But Netzer is not so sure of it and he points out that positive development depends upon many other important considerations and the idea seems to be corroborated by James Picard when he observes that merely changing tax loading to land value would not necessarily discourage slums, that, in fact, it might encourage some slum properties to be retained,²⁵ in the context of the experience of Pittsburg.

A somewhat different picture emerges from the experiences of site value rating in Australia and New Zealand as given by Messrs Woodruff and Ecker-Racz. According to them such a tax could not be instrumental in bringing about the radical change in urban improvement due especially to the low rates and exemption provisions. Their final conclusion is that, 'the very fact that government in Australia found it politically expedient to introduce exemptions to blunt the impact of unimproved capital value rates and taxes on

low income, homeowners and farmers, is persuasive evidence that this method of property taxation did not have the potential of the kind of economic impact foreseen by its advocates. The social by-products, however, were not always entirely desirable and at times caused politically intolerable levels of individual hardship'.²⁶ Thus, it becomes extremely difficult to formulate any universal principle suited to every country. If any attempt is to be made to lay down some points of universal application they may be stated as follows:

- (i) That realised unearned increment (be it in the form of high rent or sale price) merits steep taxation. And to follow Netzer again, land value increment taxation (and that too preferably at the time of transfer) may be appropriate in this field.
- (ii) As the tax extends from realised to unrealised unearned increments, there occurs theoretical as well as practical limitations to raise the tax high.
- (iii) Such a tax measure will have to suit the social and political environment of the area under consideration. There seems to exist a vital gap, at least in the literature surveyed here in analysing the central point in the problem,

²⁴ Netzer Dick, *Economics of the Property Tax*, The Brookings Institution, Washington, 1966, p. 209.

²⁵ Picard, James, "Changing Urban Land Uses as Affected by Taxation", *Research Monograph*, Urban Land Institute, Washington, 1962, p. 211.

²⁶ Woodruff, A.M. & Ecker-Racz, L.L., "Property Taxes and Land Use Patterns in Australia and New Zealand", *The Tax Executive*, October, 1955 (Reprint), pp. 62-63.

which is whether it is economically justified to tax unrealised unearned increment. Let us examine the case with the help of an illustration.

Suppose A has one storeyed house with apportioned capitalised land value, on the basis of current rent of Rs. 100. Somebody (may be even A to know the position) put an advertisement for sale of that land. Some B (ready to construct a ten storeyed building on that land) comes with the highest bid of say Rs. 10,000. How this figure has come? To follow Ralph Turvey, this has been derived by apportionment to land on the basis of present value 'of the anticipated net income discounted at a rate of interest equal to the yield obtainable on alternative

investments with similar characteristics.'²⁷

The question is whether A can be asked to pay urban land tax on the basis of land value of Rs. 10,000. Does it not mean taxing A on a basis with potential relevance for B? The answer is, obviously positive. Somebody may argue that society needs high land use on the land that is why the potential price is so high. Should that be so, the answer lies not in a tax but in a land policy.

The analysis here points out one remarkable thing and it is that property tax is a highly unpredictable instrument of public policy and its non-fiscal consequences are to be carefully considered from time to time and in the context of any change in the system.



²⁷ Turvey, Ralph, *The Economics of Real Property*, George Allen & Unwin Ltd., 1957, pp. 8-9.

Capital Value Basis for Property Taxation

PROPERTY taxation follows from the benefit interpretation of A. Smith's canon of ability and has been treated akin to theory of pricing of public goods.¹ If limited to real estate, it satisfies the test of a good local tax.² The merit of the tax in local use (as distinguished from its central use as a method of achieving distributional equity) is that it helps in averaging local wealth for appropriating it to local finance. Thus fixity of the base and proportionality to local benefits make it especially suitable for local taxation.

The developing countries are, however, confronted with the problem of choosing the method of assessment of this base for local taxation. In England, the Ricardian theory of rent made no impact on taxation of property in the rural sector and when its use was made for urban finance in the late 1890's it had assumed a different form. It was an occupational rent which a tenant was willing to pay and landlord willing to accept in the free market. Naturally it was supposed to

reflect the paying capacity of the occupier. The need for such a tax arose to finance poor relief and such a basis of taxation was thought to be ability-oriented.³ In America, however, the Ricardian theory made a direct impact through Stuart Mill and Henry George. Mill was advocating socialisation of incremental values of property as they were unearned and a product of social growth and not of the owner's effort. Henry George advocated taxing all rents, incremental as well as present, as according to him if the rent ratio was allowed to increase, wage ratios would go down causing poverty, and speculation in land would further increase the crisis. He, therefore, limited the range of the tax to land values (Lv) alone, sparing the housing element altogether.⁴ This local orientation of the tax by George was almost in contrast to the British system. These systems gave different value to properties for local use, i.e., the price which a buyer was willing to pay and the seller willing to accept in the free market. Both values, rental (Rv) and capital (Cv) which

¹ Cf. R.A. Musgrave, *The Theory of Public Finance*, 1959, pp. 10, 67-68.

² See M. Walker, "What is a Fair Tax Source for Local Government", *Municipal Finance*, August, 1959.

³ Cf., *New Sources of Local Revenue*, Royal Institute of Public Administration, London, 1956, p. 25.

⁴ For Ricardo, Mill and H. George see, *A History of Economic Doctrines* (Gide & Rist), pp. 583-94.

includes L_v are prices but R_v is a price for a limited specific use while C_v is a price for the best use of the property, and they give rise to two different tax systems which we may now call R_{vt} and C_{vt} respectively. In the following discussions the implications of these valuation systems have been examined in the context of Indian conditions.

ESSENTIAL LINKS WITH CAPITAL VALUE

Being a tax *ad rem*, the local property tax does not lend itself to the subjective considerations of paying capacity. This fiscal objective in local finance is to be achieved only through other supplementary taxes. Thus the role of property in local finance is defined, i.e., it works as an index for measuring local benefits received by the owner. It is the property owner who acts as the taxable unit and it is the property right which is taxed. From this point it is not the occupier as such who is taxed nor his housing interest.

Why should the proprietor pay; evidently because his property is directly benefited by the local services and this benefit is reflected in the sale value which the proprietor can get. In taxing on the basis of sale value, the objective is to tax away the unearned incremental income accruing to the owner and also the present rents (i.e., income over and above the normal interest which is equivalent investment in other fields than land could bring forth), if local finance demanded. Though a part of the value increment may be caused by owner's effort while the whole

of the property may be earned through purchase, Mill argued that the first aspect could be ignored while the second only made a case for indemnity if state required it, not for tax exemption.⁵ As rents arise due to increasing demand for this relatively scarce factor, the developing economies with increasing population can firstly tax this unearned income for local use though the rigour of the tax (as in Mill's or George's scheme) could be reduced by suitable variations in the tax rates.

RENTAL VALUE COMPARED

As discussed above it is the capital value of the hereditament (land plus building) which reflects the taxable property of it and it is the owner who is chargeable. But in England, the whole problem has been looked from the occupier's angle and the basis of the tax is not the amount which is received but that which is paid. Hence it is virtually an occupier's rate and even if it is charged from the owner the presumption is that it will be shifted to the occupier. Though the amounts received and paid may be generally identical, the whole rationale of taxation in the two systems changes.

The R_{vt} is akin to an outlay tax measuring the capacity of the occupier to pay a rent. Generally, rent increases *pari passu* with income except at the upper end of the scale. This makes it proportional and slightly regressive at the upper ranges. These considerations make R_{vt} a tax on housing and the tax would contract if housing is made a welfare objective. The C_{vt} is, on the contrary, a tax on housemaking and would be high if

⁵ Ricardo, Mill and H. George, *op. cit.*, p. 587 (also p. 593).

profits in such investments contain higher degree of rent element. This gives greater elasticity to the Cvt in comparison to Rvt which may freeze at a low level. Being a tax on the owner Cvt can be benefit-oriented increasing according to the needs of the local body. The Rvt can also be increased by increasing the rate of the tax but in that case it may become further regressive and would lose its links with the norm of 'ability'. The base-elasticity of the Cvt is comparable to the rate-elasticity of the Rvt. The English practice to treat rate elasticity as infinite is contrary to the income concept of the tax and a futile attempt to make the tax benefit-oriented.

The difference between the two taxes is, however, minimised if there is no actual renting *i.e.*, houses are owner-occupied) or even if there is, the basis of the Rvt is not actual but assumed rent which is certain percentage (generally 4 to 5 per cent) of capital value. Such rental is only derived value which, when capitalised, gives the true value of the property. This can be a guarantee against rent freeze and inelasticity of the Rvt and would make it coexistent with Cvt as in New Zealand. But this variety of Rvt would not resemble an outlay tax and may defeat the purpose of rent control.

It can be further argued that the two values cannot be rigidly tagged since rental value refers to existing user while capital value refers to the true value of the property in its best use; thus

the increment values form a necessary part of the latter, not so much of the former (due to working of long leases). Moreover, rental values applies only to building and is not applicable to land values when capital value refers to both. Thus there is every likelihood of Rv lagging behind Cv. For example, an underused building with high ratio of land attached to it will have low Rv but may have a high Cv.⁶

An empirical finding in New Zealand, where the three bases—rental, capital and unimproved values—are optionally used and the first two are tagged in the above mentioned way, provides an interesting comparison.⁷ It reveals that though residential properties bear the major burden in all the three cases. Lvt would shift more relative burden on commercial buildings, Cvt on residential buildings and Rvt on industrial buildings. Thus Cvt (as compare to Rvt) would relieve commercial and industrial buildings more than other systems. As between different categories of residential properties, Cvt increases the relative share of more recent constructions with Rvt increases that of multi-unit flats and Lvt of vacant land with little improvements.

It may be drawn from the above Study that in cases where ratio of capital to unimproved value is high (heavy improvements on land) capital value may be more paying than site value but annual value compared to both of these can be heavy only if the higher ratio of improvements is reflected by higher occupational rent.

⁶ U.K. Hicks, *Development from Below*, 1961, p. 356.

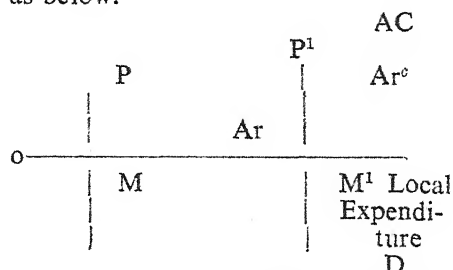
⁷ In New Zealand the Cvt and Rvt are easily convertible through for a change to Lvt a poll of rate-payers is required. A period limitation of 5 years is, however, prescribed for such change-overs. (see, J.B. Brown, I in *National Tax Journal*, September, 1968).

If a change from site value (Lv) to (Cv) is effected, the highest number of houses getting tax increase is in the residential sector but older houses and suburban business houses have tax cuts. A shift from Lv to annual value (Rv) would reduce taxes on newer buildings. This indicates that Cv is more growth-oriented.

PROBLEM OF CHOICE

Though Rvt of the New Zealand type, linked as it is with certain percentage of Cv, creates only a marginal difference in its incidence, the Indian variety would differ from it more widely. First, due to rent control, as a general policy it is difficult to link it with free market rent, more so with capital value. Being more normative in content it is difficult to assess rent on its true line and even if a surcharge scheme introduced on frozen rents, the surcharge may not be worked out as thoroughly and smoothly as a new Cvt.⁸ Second, even where evidences of free market rents are available, existing user criteria would always limit the scope of the tax. Though a tried basis in many of the municipalities in Bihar, the Rvt is only 1 per cent of capital value at present. Thus it has failed to be a balancing factor in local budgets.⁹ The elasticity of Rvt at its maximum rate (33%) in relation to the elasticity of municipal expenditure¹⁰ works at 0.23, show a great lag in revenues. It is true that in decaying towns it may not be possible to increase

the property tax yield even through introducing Cvt, but in developing areas a higher tax on the basis of capital values can be devised and this would be conducive to fuller utilisation of properties and to development in the area. Even the decaying towns with potentials can respond to the tax stimuli. The developmental effects of the Cvt can be shown as below:



As average revenue (Ar^e) will be expenditure elastic, it can extend municipal services MM^1 more than what Rvt could finance (*i.e.*, OM). The extra tax possible under Cv scheme (P^1) would generate positive income effect leading to more constructions of income earning asset for offsetting the tax as shown by the D curve which is horizontal till OM level of expenditure and at P level of taxation. The lower Ar line and P relate to the Rvt system.¹¹ The attraction of the Cvt scheme is that it can give scope of differential rating as between land and building (not possible in case of Rvt) to suit the requirements of growth. The Cvt limited to land values alone would have greater income effect while in

⁸ For such a surcharge scheme see, *Augmentation of Financial Resources of Urban Local Bodies*, Government of India, 1963.

⁹ Cf., K.K. Sinha, *Local Taxation in Developing Economy*, Bombay, Vora, 1968, p. 90.

¹⁰ Relates to Patna Municipal Corporation only for the period 1956-66.

¹¹ For analysis of the Ar curves, see K.K. Sinha, "Case for Capital Value Tax" *Quarterly Journal of the Local Self-Government Institute*, Bombay, January-march, 1971.

built up areas both land and buildings can be taxed equally in order to extend M. The only caution is to see that the Ac curve does not get steeper upward and that M is spent efficiently.

Third, the retention of Rvt may lead to taking recourse to other non-property taxes (as is getting evident even in English local system), leaving property under-utilised and this would upset the balance of local budgeting by inducting unsuitable taxes in large amount. In fact, continuance of octroi in many of the local units in India and stress on profession taxes and grants have been due to under-exploitation of the property base. Naturally a change-over to Cvt may help in arresting these trends. It has been found that in Bihar the Rvt constitutes only 1 per cent or even less of urban taxpayer's income which is definitely a very small contribution and can be substantially increased.¹²

It has already been implicit in the diagram above that if more is taxed, more is spent on constructions and other overheads which in their turn increase, the yield of tax as they add to the existing values. Thus an initial taxation may have a multiplier effect on local development. The Rvt is more influenced by improvements internal to the buildings whereas the Cvt is influenced by improvements both internal and external to the hereditament.

Another point of favouring the choice for Cvt in India is that it may form part

of a fiscal scheme to achieve some distributional equity in the property sector. A progressive tax on the value and size of property may work as a fiscal ceiling and would discourage fast accretion of properties in a few hands. This can also be an effective check on over investment and speculation in land as well. A consolidated tax scheme, however, requires a thorough examination of the distribution of properties and of the needs of urban growth and planning.

The choice for the basis should also depend on two more considerations, one of equity and the other of cost of administration. As regards the first, it has already been argued that income equity cannot be achieved through a local property tax and the test of equity in local finance is satisfied if benefits flow to the poorer sections and taxes are well administered giving no opportunity of corruption. Equity in the income sense is only of secondary importance. However, some points here may be relevant in comparing the equity content of the two bases. Lady Hicks remarks¹³ that the minimisation of horizontal regression is an important characteristic of a good local tax. Horizontal regression is caused when same incomes pay differently while vertical regression is caused if different incomes do not pay in a way so as to reduce their income differences. It can be argued that same income making similar houses is more likely than same incomes living in similar houses, meaning thereby that Cvt can have more horizontal equity than Rvt. Regarding vertical equity

¹² K.K. Sinha, *op. cit.*, p. 179.

¹³ U.K. Hicks in *Western Economic Journal*, June 1968.

a rate progression according to income is unlikely to be achieved by local tax but as already told Rvt is regressive at higher ranges of income whereas Cvt can achieve some progression on the assumption again that different incomes would have different values of constructions in tune with difference of income resources with them. Thus even if the rate of tax is not progressive, the base of the tax has progressive elements.¹⁴

As between two areas, the Rvt only exaggerates the difference in resources as undeveloped areas may have little renting thus depressing the value in comparison to built up areas with free market renting evidences. Cvt being more objective would keep the development areas less handicapped and thus minimise inter-local difference in tax resources.

A more pertinent question is—which of the tax would be less felt or burdensome. This is partly a psychological problem and the first impact of any increase in the tax whether through revaluation of the Rvt or through a new Cvt, will be more burdensome than the secondary impact. Though the burden of the Cvt can be amortized through sales, the pre-sale burden may be heavier unless the property is put to income earning uses, and not kept for self-habitation. In case of Rvt also the same argument may hold good. So the question of burden of the two bases would ultimately depend on their impact on local spending and the

cost of administration, the burden being heavier if the taxes do not promote local spending are not administered economically. As regards spending, it has been argued above that Cvt may be more co-extensive with local benefits, but as regards cost it may be a little more complicated.

COST IMPLICATIONS

Here again the New Zealand experience may be of some value. The assessment cost of the three bases is stated below (in N.Z. currency)

Lvt — 0.60

Cvt — 4.00

Rvt — 2.60

The figures relate to a single territorial local authority area and cannot be said to be a representative average and even the relative costs may be different for another area. Further, the lowness of Rvt assessment may also be due to the fact that the Rv is only computed on the basis of Cv and so the computation cost would only be marginal. It is expected that Rvt assessment may be costlier if renting evidences are collected and if more frequent revaluations than what is required in other systems is thought necessary. The relative unpopularity Rvt in New Zealand may also indicate that the job of collecting rent information generally by ward assessors may give them arbitrary powers of 'analogising' and cannot be worked out scientifically except in fully built-up residential areas of developed

¹⁴ Bigger families with same income may choose bigger houses and thus pay a regressive Rvt but there is tendency to prefer quality of a house to its space. If so, regression is not the most serious fault of the Rvt. Moreover by rate rebates (if it is to the poorer section), regression is further reduced.

towns. The problem of assessing Cv is also not simple but: (a) it lends itself to more objective tests, (b) may have more concrete evidences, and (c) the central valuation boards assessing properties for central taxes can work out the complicated part of the assessments for the local bodies. Further, the above conditions would make Cvt more uniform as between different localities, while some of the minor details in Cvt assessment may be skipped over. Some light on this aspect is thrown below.

PROBLEM OF TRANSITION FROM RVT TO CVT IN INDIA

It is felt that the Panchayati Raj institution which are still under formation can easily take to Cvt leaving aside the present scheme of sharing land revenues.¹⁵ The Cvt is equally convenient to smaller semi-urban municipalities on similar grounds. In these units mere Lv can work well sparing housing and other improvements from taxation. The main problem here will be to find out the central lot value per katha for different areas. On the basis of actual evidences of sales, averages for different areas can be worked out modifying them if necessary according to special area characteristics on rather simpler considerations like 'nearness to market'. Even in America crude forms worked in the beginning, though the quest for refinement was never absent.¹⁶

For bigger municipalities with Rvt or octroi, the problem of change-over is not easy. In case of rental value areas it will

mean first a conversion of existing records. By capitalising rents this can be initiated if rental evidences are available. Otherwise cost of replacement allowing for depreciation and obsolescence can be worked out. Minor variations in house layouts and designs affecting Cv can be ignored but incremental values will have to be worked out to be added to the above calculations. For this sale evidences are to be recorded and analogised for different areas with minor modifications in view, as suggested above. If sale evidences are not available a broader area average can be worked out and any central agency specialised in the work can give valuable assistance. Some crude experiments can also work in the initial period, e.g., tagging a flat site tax with the capitalised rental value, or surcharges on the basis of assumed rent which itself is a given percentage of the capital value. But it should be left to the choice of the urban units to start the change in whatever way they find convenient. In a given period of time all the units may evolve a good base for a more refined system to replace the experimental forms.

In octroi areas the first step may be to limit the levy to a few big exporting and importing centres and to start the Cvt at a moderate rate in the rest of the units. The expenditure of beneficial nature may first be earmarked to be financed by these taxes. This may arrest to some degree the resistance of taxpayers against a new tax.

Thus a shift to Cvt can take place if

¹⁵ For local orientation of land revenue, see, K.K. Sinha, *A Critique of Land Revenue in Bihar Finances* (ed.), D. Jha, Patna University, 1969.

¹⁶ Cf., W.B. Minro, *Principles and Methods of Municipal Administration*, p. 410.

some caution in the beginning is taken by: (a) keeping the tax amount moderate; (b) creating ground for developmental surcharges; (c) making a separate budget for beneficial services in order to balance it with increased rates and shifting the burden of onerous services on other sources of revenue as far as possible; (d) devising a scheme of grants which is limited in scope but is purposive and promotes tax efforts; and (e) achieving uniformity in valuation practices through a central agency. If this gives a spurt to local spending on 'visible' services in the localities, the Cvt can spread its base more

rapidly in its second phase. The phases may be timed conveniently.

The adoption of Cvt in various doses would depend on the stage of development of the areas concerned. In areas waiting development or in decaying towns with potentials, fresh spurt of constructions can take place if vacant and undeveloped sites alone are taxed or a higher differential rate on land values is levied. In later stages both land and buildings can be valued together and a consolidated Cvt can work well.



Correcting Erosion of Tax Base

MOST of the Municipal Acts in India provide taxes on "land and buildings" as one of the principal sources of municipal revenue. The basis provided under the Acts in majority of cases is the annual rental value, which is defined as the fair and reasonable annual rent that the land and building might reasonably be expected to fetch from year to year. Property taxes which may consist of either one consolidated tax or different components such as General Tax, Water Tax, Conservancy Tax, etc., are usually imposed as a percentage of the ratable value of land and building, which is usually arrived at by deducting from the annual rental value a fixed percentage (generally 10%) of the annual rental value. Some Acts provide for the levy of general property tax on a graduated scale and also further provide that the tax could be levied if the Local Body so chooses, at a higher rate on lands and buildings occupied for particular trades and businesses to be chosen by the Local Body.

It would thus be seen that the base for the levy of property tax has been defined in rather vague terms, which generally creates considerable difficulty for the unskilled and untrained workers in arriving at the fair and reasonable

annual rent. Unless, therefore, the staff in a Local Body is properly trained, it would be impossible to arrive at the correct figures of fair and reasonable annual rent in respect of lands and buildings, more so, in respect of lands and buildings, which are not put to common or popular use. This difficulty is considerably felt by smaller Local Bodies as there are facilities for training and in majority of cases even the Heads of the Officers are themselves untrained. For the purposes of correct assessment of lands and buildings proper knowledge and understanding of the Tax Base is very necessary.

EXEMPTION FROM TAXES

Municipal Acts provide for exemption either from all the property taxes or from the main property tax for variety of types of properties. They are mainly as under:

- (i) Properties occupied for public religious worship.
- (ii) Properties occupied for public charitable purposes.
- (iii) Properties of the Union Government and State Governments and properties of the Local Bodies.

Out of the above three categories, there is ample justification for granting exemption to the first two. As regards the third category, there is no justification for exemption as the Article 285 of the Constitution itself provides that such an exemption could be withdrawn by adequate legal provision in respect of Union Government properties. This is also applicable to the properties of the State Governments and the Municipal Governments.

The Municipal Acts also provide for exemption in the following cases:

(1) Exemption to properties below a certain ratable value on the grounds of poverty.

It is not understood how a person who owns a property is poor enough to be unable to pay the small contribution which he is to make to the Local Body for the services rendered.

(2) Exemption to properties owned by Embassies, etc., of other countries.

This exemption is granted on reciprocal basis on the grounds of maintaining cordial international relations. It has been suggested that the benefit in such cases really goes to the Union Government and the Government should reimburse to the Local Bodies the loss sustained by them on this account.

(3) Exemption from property tax to agricultural lands.

There seems to be no justification for such an exemption when such lands are

situated within the limits of the Local Bodies. As a matter of fact the existence of such lands tends to make the services to the other localities costlier. On the contrary there should be punitive taxation on such lands.

Many Municipal Acts contain provisions empowering either the State Government or the Local Body to grant exemption at their will to persons or properties of the class they choose. This provision, on account of its general nature, is extremely dangerous and is very much likely to be misused to the detriment of the Municipal revenue.

Similarly some Acts provide for partial exemption to buildings of Co-operative Housing Societies. It is for consideration whether such an exemption is really needed to those member-owners of flats or plots of such Societies, especially when the payment of taxes is a contribution for the services rendered for their own benefit.

In general it must be borne in mind that it is a cardinal principle of rating (assessment of properties) that the burden of rates and taxes must fall equally upon all persons and properties within the limits of the assessment area, except in the cases specifically exempted by the statute. It has been laid down that "taxation is a rule with every presumption to support it, while exemption is an exception with every presumption against it". (Van J. in *People vs. N.Y. Tax Commission*—from Kowshik's *Rating in England and India*).

EFFECT OF RENT CONTROL ACTS

The Tax for the imposition of Municipal Property Tax had a considerable jolt on account of operation of Rent Control Acts. The definition of fair and reasonable rent is entirely based on the operation of the economic law of demand and supply and works fairly well in normal times. Rent Control Acts have imposed an artificial basis of rent, which is directly in conflict with the conception of fair and reasonable rent. The fair and reasonable rent of a property is to be determined by looking at the property mainly from the tenant's point of view. On the contrary, the standard rent, as defined in Rent Control Acts ensures a fair and reasonable return to landlords on the basis of his investment in lands and buildings. The Tax Base as initially conceived in the Municipal Acts has been considerably damaged by the operation of the Rent Control Acts. There is no doubt that so long as the fair and reasonable annual rent is controlled by the amount of standard rent of a property, the Municipal revenue is bound to remain stagnant.

CONCESSION TO OWNER-OCCUPIED PROPERTIES

There is a practice in many Local Bodies to give concessional treatment in the estimation of fair and reasonable rent in respect of owner-occupied properties. The Local Finance Enquiry Committee (1951) and the Taxation Enquiry Commission (1953-54) have recommended the withdrawal of these concessions. This appears all the more necessary as the number of owners occupying their properties is multiplying

fast on account of Housing Co-operative Societies and the increasing tendency to have one's own house.

AMENDMENTS IN THE MUNICIPAL ACTS

The Tax base also suffers on account of certain improper provisions in the Municipal Acts. It is not very clear from the provisions as to which machinery and fixtures or fittings forming part of the landlord's building could be taken into account in determining the fair and reasonable annual rent. In the modern construction of buildings, there is a tendency to provide as many facilities to the occupiers as possible by the introduction of mechanical and electrical gadgets, built-in fixtures, furniture, etc., for making the occupation more attractive and convenient. As most of these go to make the occupation of such a building more beneficial to the occupier, the Municipal Acts need adequate amendments to clarify this position. Similarly to existing properties as rented out by landlords to tenants, substantial improvements are made by the tenants at their own costs. These improvements go to increase the value of beneficial occupation to the occupiers and such improvements for the above reasons ought to be taken into consideration in determining the fair and reasonable rent. This also would necessitate clear provisions in Municipal Acts.

BENEFITS OF THE INTENTIONAL VAGUENESS IN THE DEFINITION OF TAX BASE

Although the Tax Base is rather vague, it has got its advantages as this delightful vagueness in the definition of 'Annual Rental Value' is helpful in defeating some

evil designs of the tax dodgers. However, for the success of this objective, the assessment staff must be adequately skilled and trained. As stated above, this is rarely found in most of the Local Bodies with the result that considerable damage is done to the Municipal revenue by the inefficient staff. To add to this difficulty, the Councillors of Local Bodies also disturb the standards of assessment by their undue influence and pressure over the staff.

The Municipal Acts provide for appeals over the decisions of the Local Body in respect of the estimation of fair and reasonable rent. These appeals also suffer from the above difficulty as the work of

the Appellate Authority in this respect is an insignificant small fraction of the total work of the Appellate Authority (Law Courts) and thus adequate attention for laying down guiding principles in this respect to the Local Bodies is not given, with the result that the confusion already existing in the Local Bodies becomes worst. It is, therefore, suggested that these appeals should be heard by a Body of Experts which would be able to lay down such guiding principles and procedures which would provide the necessary enlightenment to the staff of the Local Bodies and thus contribute towards the general improvement in the quality of assessment work.



A Case for Property Tax Assessment Tribunals

THE Indian Constitution does not provide for taxation by local authorities. It lays down the fundamental principle that no tax shall be levied or collected except by authority of law¹ and distributes the heads of taxes between the Union and the States. The taxes which the State legislatures are allowed to impose are enumerated under the State List in the Seventh Schedule to the Constitution. Thus, the power to tax in a State on the items contained in the State List can be exercised only by the State legislature. However, since municipal bodies which are creatures of State legislatures, require finances for the proper discharge of their duties, some of these tax sources are delegated to municipal bodies by making suitable provisions in the statutes creating them. Property tax is one of such taxes usually delegated to the municipal bodies through municipal enactments.

The Municipal Acts invariably provide for the imposition and collection of property taxes (on lands and buildings). It is one of the largest and most important sources of tax revenue for urban local bodies. It usually comprises of a general tax and taxes for specific services rendered, such as water tax, scavenging

tax, fire tax, lighting tax, drainage tax, etc.

Property tax is based on the annual or capital value of the property, viz., land and buildings. It derives its constitutional authority from item 49 of the State List, viz., tax on lands and buildings. In most of the municipal enactments, the basis of assessment is the annual value, i.e., the amount of annual rent at which lands and buildings may reasonably be expected to let from year to year after deducting a percentage on account of maintenance or other allowances.

Assessment for the levy of property tax is a highly technical process involving a complicated procedure. As has been aptly pointed out by a former judge of the U.S. Supreme Court, "the assessor's job is to discover the least erroneous answer to an unanswerable problem."² In India, under the various municipal enactments, the responsibility for valuation and assessment of properties is placed on the shoulders of municipal bodies.

The definition of "annual value" under the Municipal Acts as "the gross annual rent at which a property (land and buildings) may reasonably be

¹Art. 265 of the Constitution.

²Quoted by Jagannadham and Bakshi in *Property Tax Administration*, p. 26.

expected to let from year to year", has been subject to a series of judicial decisions resulting in a number of problems for municipal bodies. The courts have taken more or less the consistent view that the annual value in the case of a property whose standard rent has already been fixed under the relevant Rent Restriction Act, should not exceed such standard rent.³ That being the case, it may not be difficult to determine the annual value of those properties whose rents have already been fixed by the Rent Controller under the relevant Rent Control Act. But problems do arise in determining the annual value of properties whose rents are not already fixed under the Rent Act. In such cases so many principles and standards of valuation will have to be applied that it will usually involve the determination of disputed questions of facts. This might result in incorrect assessments—either over-assessment or under-assessment⁴ causing unnecessary harassment and inconvenience to the taxpayer as well as loss of revenue to the municipal bodies. Disputes may also arise as to the liability of any land or building to assessment or as to the basis or principle of assessment or as to the amount of tax assessed.

Discrimination in the assessment of similarly situated properties would also result in disputes between the tax-payer and the municipal bodies. Municipal Acts generally provide for the hearing of objections by persons aggrieved by the assessment of their properties and also for appeal against assessment. An attempt is made in this paper to examine the appeal provision existing in the various Municipal Acts, to evaluate the system and to suggest improvements for disposing the disputes smoothly, quickly and cheaply.

Before examining the appeal provisions in the various Municipal enactments, it appears to be proper to give a brief description of the procedure to be followed in levying property tax under these Acts. Under the Delhi Municipal Corporation Act, 1957, for instance, the Commissioner is empowered to make an assessment list of all lands and buildings within the Corporation's jurisdiction. A public notice of its preparation is to be given by the Commissioner. In the case of properties which are either assessed for the first time or whose assessment is proposed to be increased, the Act provides for the service of written notices to

³See *Corporation of Calcutta v. Smt. Padma Debi*; AIR 1962 SC 151, and *Guntur Municipal Council v. Guntur Town Rate Payers' Association*; AIR 1971 SC 353. In *Dewan Daulat Rai Kapur v. New Delhi Municipal Committee*; (1973 MCC 101), however, the Delhi High Court has held that in those cases where the standard rent has not been fixed by the Rent Controller or statutorily determined under the relevant Rent Control Act, the annual value should not exceed the agreed rent unless the agreed rent is tainted by fraud, collusion, emergency, relationship, and such other considerations.

⁴The problem of assessment of properties has been examined by several committees almost all of which have suggested the setting up of an independent valuation machinery. See the Reports of the Local Finance Inquiry Committee (1951), the Taxation Enquiry Commission (1953-54), the Committee of Ministers for the Augmentation of Financial Resources of Urban Local Bodies (1963) and the Rural-Urban Relations Committee (1966).

the owners of such properties. The Commissioner is also empowered to amend the assessment list any time by increasing or reducing the amount of ratable value, for adequate reasons. Section 123 of the Act provides for the 'filling of objections by any person dissatisfied with "the ratable value or assessment or any other matter as entered in the assessment list" and for the hearing and disposal of such objections by the Commissioner himself or by a person authorised by him. After the objections have been considered and disposed of, the assessment list is to be authenticated by the Commissioner or by the authorised official.

A person who is aggrieved by the decision of a statutory body like the municipality has a number of ways open to him to get his grievances redressed. One among them is a right to appeal to the authorities specified in the enactment. As mentioned earlier, the Municipal Acts generally provide for appeals against assessment to a court of law. While under some of the Acts the appeals are to be made to the District Judge or to the Small Causes Court,⁵ under certain other Acts the appeals are to be heard by the District Magistrate⁶ or the Civil

Judge.⁷ Again, some Acts provide for referring the matter under dispute to arbitration⁸ at the instance of the parties and for the appointment of an expert valuer at the discretion of the judge on the request of either party.⁹ A few of them provide for further appeal to the High Court upon "a question of law or usage having the force of law or the construction of a document."¹⁰

The Bengal Municipal Act, 1932 contains a unique provision for the constitution of an Assessment Tribunal¹¹ for hearing appeals on disputes relating to assessment.

It may be noticed from the above that there is no uniformity in the appeal provisions contained in the different Acts. They generally provide for appeals to ordinary courts of law. The law courts perform judicial functions and dispense justice according to law. The decisions by the courts of law have their own merits for "they give the highest standard of justice", but they have their demerits also. Judicial process is expensive, slow and cumbersome. The court procedure is rigid, highly technical and time consuming. Because of this and due to the flooding in of more and more cases of

⁵See Section 169 of the Delhi Municipal Corporation Act, 1957; Section 282 of the Hyderabad Municipal Corporation Act, 1955.

⁶Section 160 of the U. P. Municipalities Act, 1916.

⁷Section 139 of the M.P. Municipalities Act, 1961.

⁸Section 474 of the U.P. Nagar Mahapalika Adhiniyam, 1959.

⁹Section 474 of the U.P. Nagar Mahapalika Adhiniyam, 1959.

¹⁰Section 287 of the Hyderabad Municipal Corporation Act, 1955.

¹¹Section 149A (i) The State Government may, by notification, appoint a Municipal Assessment Tribunal consisting of such person or persons as may be specified in the notification for the purpose of hearing applications for review presented under Section 148. (This Section was inserted by S. 32 of the Bengal Municipal (Amendment) Act, 1955).

all sorts, it results in the piling up of arrears. Justice delayed means justice denied. If a dispute relating to assessment is taken to an ordinary court of law which is already faced with a flood of cases, the inevitable delay in the disposal of cases is bound to result in unnecessary and avoidable expenses and inconveniences on the part of the tax payers. Further the nature of work in the case of assessment disputes is such that the ordinary court may not be able to deal with them properly, for it involves technicalities requiring treatment by experienced experts in the field. In such cases it has been found that the mechanism of an independent tribunal would provide a comparatively cheap and speedy remedy.

It is true that some of the municipal Acts require the appellant to deposit the amount claimed from him towards assessment¹² or provide that "the pendency of an appeal shall not operate to delay or prevent the levy of any tax or instalment thereof payable in respect of any building or land according to the order of assessment under appeal¹³ and as such the municipal body may not lose revenue on account of filing of appeals by parties; but for a citizen against whom injustice has been done by way of illegal or wrong assessment, the inordinate delay in the courts will really mean further injustice. The tax-payer should pay the tax due to the local authority, but should not stand harassed by the latter by illegal and unjust assessments. It is likely that the local autho-

rity might find it difficult to realise taxes from persons who are similarly situated, for they may await the decision of the court in similar cases to pay the taxes voluntarily. To take legal proceedings against such defaulters might involve unnecessary expenses and loss of time.

Thus, delays in litigation, its formalism; the judge's habit of not looking beyond the record, cost of litigation and technical expertise, etc., call for a body other than a court and independent of the department, for settling disputes in assessments. It is imperative that such a body should be completely independent of the local bodies, for appeal within the hierarchy is bound to fail in evoking confidence as questions of individual and institutional bias will arise in such cases and only an independent body will succeed in avoiding this evil. These bodies are usually known as administrative tribunals because "the reasons for preferring them to the ordinary courts of law are administrative reasons".

What are the advantages of tribunals over ordinary courts of law in settling disputes between the tax-payer and the municipal authority? A tribunal is neither a court nor an administrative body; it is a compromise between the two. It is a specialised agency which carries on its work with a certain amount of expertise and a judicial flavour. According to the Donoughmore Committee, cheapness, accessibility, freedom from technicality, expeditious and expert knowledge

¹²Section 138 of the Gujarat Municipalities Act, 1963.

¹³Section 139 of M.P. Municipalities Act, 1961.

of a particular subject are the characteristic features which often give the tribunals advantages over ordinary courts of law. In tribunals, administration of justice is cheaper, they perform their functions with flexibility, their proceedings are informal and simple and free from the technicalities of ordinary court procedure, they are quicker in settling disputes than the ordinary courts and they are in a better position to avail of the special knowledge of experts in the field.

Our Constitution recognises tribunals under Article 32, 136, 226 and 227. The Law Commission in its Fourteenth Report has recommended the establishment of tribunals for settling disputes in connection with service matters. They pointed out that "the establishment of such a tribunal or tribunals will serve a double purpose. Apart from providing a speedy remedy in genuine cases of injustice, the existence of a speaking order drawn up by a qualified tribunal will enable the courts to reject all frivolous petitions summarily and entertain only those cases where the intervention is really necessary in view of the importance of the constitutional and legal points involved".¹⁴ Still later, the study team of the Administrative Reforms Commission have also recommended the setting up of a fulltime disciplinary tribunal for conducting enquiries against government servants.¹⁵ In India, at

present, there are thousands of tribunals functioning under various Central and State Statutes in various fields of public administration. The Income Tax Appellate Tribunals, Railway Rates Tribunal, Industrial Tribunals, Election Tribunals, Land Tribunals, etc., are some of them, to mention a few. It may be mentioned here that the Income Tax Act, 1922 did not provide for an appellate tribunal and it was only after persistent demands from the public to have "an appellate body, independent of the departmental authorities, which could be expected to make an objective approach to the grievances expressed by assesseees against unjust levies of income tax", the Act was amended in 1939 to provide for the appellate tribunal.

Tribunal are not foreign to Municipal Acts. There are provisions in some of the Municipal enactment for the setting up of Election Tribunals,¹⁶ Land Acquisition Tribunals¹⁷ and even Assessment Tribunals.¹⁸ The Local Finance Enquiry Committee while recommending the setting up of a Central Valuation Organization in the assessment of property taxes, has also suggested the establishment of "a local tribunal called the local valuation court" for hearing appeals from the valuation department either by the local bodies or by the taxpayer. "It should be a tribunal in whose independence and fairness of judgement both parties have confidence." Recently

¹⁴Fourteenth Report of the Law Commission, p. 692.

¹⁵See Report of the Study Team of the Administrative Reforms Commission, (1967), p. 129.

¹⁶Section 22 of the U.P. Municipalities Act, 1916.

¹⁷Section 284 of the Bombay Provisional Municipal Corporation Act, 1949.

¹⁸Section 149-A of the Bengal Municipal Act, 1932.

the Commission of Inquiry into the Finance of the Municipal Corporation of Delhi and the New Delhi Municipal Committee has also made a similar suggestion for the setting up of a local assessment tribunal, "headed by a District judge and assisted by two other members, one of whom should be a technical expert".¹⁹

It is suggested, therefore, that it will be in the interests of both the individual as well as the municipal authority, to make suitable provisions in the Municipal Acts for the establishment of assessment tribunals, so that disputes in assessments are settled cheaply, quickly and smoothly. Regarding the constitution of such tribunals it may be mentioned that they should be manned by persons possessing legal training and experience and persons possessing expert knowledge in property tax assessment. If possible, the appointment of the members of the Tribunal may be made by the State government

in consultation with the High Court so as to instil confidence in the public as to the impartiality of the tribunal. It is imperative that they should conform to the principles of natural justice and should act with openness, fairness and impartiality as suggested by the Franks Committee. The Acts should further make provisions that the tribunals' decisions should be final on questions of fact, even though appeals on questions of law should lie to the High Court.

On making the order of the Tribunal final, the Supreme Court has observed in a recent case²⁰ (which relates to the Land Acquisition Tribunal established under a Town Improvement Act) that "the Legislature by making the order of the Tribunal final..... seeks to avoid delay in the course of litigation to defeat the purpose of the schemes framed under the Act." The observation will as well hold good in the case of Property Tax assessment tribunals



¹⁹Interim Report, p. 44.

²⁰*Swaran Singh v. State of Punjab*, 1975 II SC5 274.

Some Legal Issues and Court Decisions on Levy and Assessment of Property Taxes

PROPERTY taxes are being levied in India for about a century now. The law of property taxes is comparatively simple as it consists of a few sections of the Municipal Acts modelled on the tested lines of the Rating Law of England; yet as is the case with the law on any other subject, a number of issues arise from time to time requiring authoritative elucidation by courts of law. A few such points decided in recent years by the High Courts and the Supreme Court of India are set out in this paper. The various aspects of the law covered are as follows:

1. Standard rent as the criterion of assessment.
2. Assumed standard rent as the basis of assessment.
3. Permissible increases over standard rent.
4. Cost as the basis of assessment.
5. Admissibility of the Balance sheet figures for assessment.
6. Ratability of machinery.
7. Taxes and amenities.
8. Limits of the powers of taxation
9. Taxation of Municipal properties.
10. Tax on graduated scale—an issue awaiting decision.

The first six relate to assessment and the last four to some other aspects of

property taxation. They are discussed below :

STANDARD RENT AS THE CRITERION OF ASSESSMENT

The universal criterion for determination of ratable value of a building under the Municipal Acts is "the gross annual rent at which a land or building might at the time of assessment be *reasonably expected* to let from year to year". On the introduction of Rent Control Acts however the question arose whether the standard rent chargeable under these Acts was to be the basis of assessment of taxes or "reasonable rent" was to be continued to be determined separately for this purpose. The Calcutta Corporation assessed the rent of a building at Rs. 1450 p.m. on the basis of value to the tenant, while the standard rent of the building was fixed at Rs. 632 p.m. The assessee's objection was disallowed. The Small Causes Court, however, upheld the objection and fixed the value on the basis of standard rent. The Corporation went up to the High Court but the appeal was dismissed. The case was then taken to the Supreme Court which in its famous judgement, decided as below:

"The criterion is the rent realised by the landlord and not the value of the

holding in the hands of the tenant. A law of the land with penal consequences cannot be ignored in ascertaining the reasonable expectation of a landlord in the matter of rent. Statutory limitation of rent circumscribes the scope of bargaining in the market. In no circumstances the hypothetical rent can exceed the limit." (*Corporation of Calcutta v. Smt. Padma Devi* 1962 3 S.C.R. 49).

ASSUMED STANDARD RENT AS THE BASIS OF ASSESSMENT

Most of the municipal acts contain a distinct provision to the effect that in cases in which standard rent of a building has been fixed, the annual value shall not exceed the amount of such rent. It is implied that buildings have been divided into two categories, namely, (i) those in respect of which standard rent has been fixed, and (ii) those in respect of which standard has not been fixed. The stipulation that the assessment shall not exceed the standard rent applies in the case of the first category. What about the second category?

Standard rent can be fixed only in accordance with a prescribed procedure by a prescribed authority on application of the tenant or the landlord received within a prescribed time. A municipal assessment officer is therefore not competent to fix standard rent. The municipal bodies accordingly continued to assess the ratable value of buildings of the second category mentioned above on the basis of reasonable rents. The Guntur Municipality made a general revision in the year 1960 raising the rental value of

houses to figures higher than those prevailing on the dates mentioned in the Rent Control Acts. Three suits were filed against this decision of the Municipality in the Court of the District Munsif who decreed the suits and declared the general revision made by the Municipality increasing the valuation beyond the limit permissible under the Rent Control Acts to be *ultra vires* and illegal. In the appeal filed by the Municipality against this decision in the First Appellate Courts light modification was made in the decree passed by the trial court but the judgement was substantially upheld. Appeal filed by the Municipality in the High Court was dismissed. The Municipality fought valiantly for the stand taken by it and took the matter to the Supreme Court. The Supreme Court following its earlier ruling given in *Corporation of Calcutta v. Smt. Padma Devi* held that "the Municipality was not free to assess any arbitrary annual value and had to look to and was bound by the fair or the Standard rent which would be payable for a particular premises under the Rent Act in force during the year of assessment . . . We are unable to agree that on the language of section 82 (2) of the Municipalities Act any distinction can be made between buildings the fair rent of which has been actually fixed by the Controller and those in respect of which no such rent has been fixed . . ."

"The assessment of valuation must take into account the measure of fair rent as determinable under the Act. It may be that where the Controller has not fixed the fair rent, the municipal authorities will have to arrive at their own figure of fair rent but that can be done without

any difficulty by keeping in view the principles laid down in Section 4 of the Act for determination of fair rent”.

The Supreme Court accordingly declared that the general revision made by the Guntur municipality by increasing the rental valuation of the houses beyond the fair rent determinable under the Rent Act in force for the period of assessment shall be illegal and *ultra vires*.

PERMISSIBLE INCREASES OVER AND ABOVE THE STANDARD RENT

The rent control Acts have virtually frozen the rents at the point at which they stood in 1939-40. Not only this, the Acts have made it an offence to receive any amount in excess of the standard rent. Under certain very genuine circumstances the Rent Acts have allowed certain measured increases over the standard rent but they add a rider that such additional amounts shall not be treated an increase in rent for certain purposes. The result is that landlords dispute their liability to pay tax on the permissible increase over and above the standard rent.

The question arose in *Bombay Municipal Corporation v. Life Insurance Corporation of India, Bombay* (Civil appeal No. 402 of 1967).

An educational cess at the rate of $1\frac{1}{2}$ per cent of the ratable value of all properties was levied with effect from 1.4.58 by the municipal corporation. Under section 10 AA of the Bombay Rent Act, 1947 the landlord was entitled to increase the rent recoverable from the tenant to the extent of the increase in tax

payable to the Corporation.

The Assessor and Collector of the Corporation, therefore, issued a notice to the landlord, *viz.*, the L.I.C. proposing to increase the ratable value after adding $1\frac{1}{2}$ per cent to the rental value. The LIC objected but its objection on this point was over-ruled by the Assessor and Collector. The L.I.C. thereupon appealed to the District Judge who dismissed the appeal. The L.I.C. then took the case to the High Court which held that what was allowed to the landlord in addition to the standard rent was not an increase in rent but a provision was made in a specified way to transfer the burden of the tax to the tenants because of the vigours of the Rent Act. The High Court accordingly accepted the appeal of the L.I.C.

The Bombay Corporation preferred an appeal against this decision to the Supreme Court of India in view of its importance and effect on innumerable other similar cases.

The Supreme Court ruled that section 7 of the Rent Act did not prohibit the recovery of the increase to which the landlord may be entitled under the provisions of the Act in addition to the standard rent. The obvious implication was that such an increase becomes part of the rent. The building could well be said to be reasonably expected to let from year to year at the figure arrived at by adding the permitted increase to the standard rent. The valuation had therefore to be arrived at after taking into account the amount of educational cess levied by the corporation. The appeal of the corporation was accordingly allowed with costs.

COST AS THE BASIS OF ASSESSMENT

Several of the municipal Acts lay down that where it is not possible to determine the rent of a property, as in the case of owner occupied buildings, factories, etc., ratable value may be determined by taking a percentage of the capital value of the building. Differences of opinion however arise in regard to the method of determining such value. There was a similar provision in the Rules framed by Godhara municipality and a disputed case of assessment went up to the Supreme Court, which gave the following ruling quoting with the approval British authorities on the subject: "In applying the Contractor's basis it is possible to discern five stages. The first stage is the estimation of the cost of construction of the building. There is a difference of view as to whether it is better to take the cost of replacing the actual building as it is, or the cost of a substitute building on the same plan as the actual building but otherwise in an up-to-date form. The second stage is to make deductions from the cost of construction to allow for age, obsolescence and any other factors necessary to arrive at the effective Capital value. The third stage is to estimate the cost of the land. The fourth stage is to apply the market rate or rates at which money can be borrowed or invested to the effective capital value of the building and land. The fifth stage is to consider whether the result of the fourth stage really represents what the hypothetical tenant would pay for the annual tenancy on the statutory terms and to make any adjustments necessary to ensure that no higher rent is fixed as the basis of assessment than that which it is believed the owner would really be willing to pay for

the occupation of the premises."

Godhara Borough Municipality Vs. Godhara Electric Supply Company (A.I.R. (1968) S.C. 1504).

USE OF BALANCE SHEET FIGURES FOR DETERMINING VALUE OF PROPERTIES

The point arose in the same case of Godhara municipality cited in the foregoing paragraph.

The Supreme Court gave the following ruling on the point: "Rule 5 of the Godhara Municipal Rules framed under section 5 (58) of the Bombay Municipal Boroughs Act lays down that the capital value is to be determined in each case on reliable data furnished by the Mills and Factories when called upon to do so and in the absence thereof is to be determined by the Chief Officer or Expert Valuer". But figures set out in the balance sheet of the company showing the values of properties could not be regarded as reliable data for purpose of assessment to a rate. It is so because under S. 211 of the Companies Act the balance sheet of a company has to be drawn up in the form given in schedule VI part I and the figures required to be given in it are merely statements in the terms of form given in the schedule. They have no relevance in determining the capital value of the property for the purposes of assessment to rate.

A.I.R. (1968) S.C. 1504 RATABILITY OF MACHINERY

Rule 7 (2) of the taxation rules given in the Bombay Provincial Municipal Corporation Act 1949 ran as follows:

"All plant and machinery contained or situated in or upon any building or

land and belonging to any of the classes specified from time to time by public notice by the Commissioner with the approval of the corporation shall be deemed to form part of such building or land for the purpose of fixing the ratable value thereof under sub-rule (1) but save as aforesaid, no account shall be taken of the value of any plant or machinery contained or situated in or upon any such building or land".

There are analogous provisions in the Delhi Municipal Corporation Act and a number of other municipal acts. This rule was challenged in "NEW Manak Chowk Spinning and Weaving Mills Vs. Municipal Corporation of the city of Ahmedabad, (1967) 2 S.C.R. 679. The case went up to the Supreme Court of India which struck down the rule as invalid and ruled as follows:

"Entry 49 in List II of the VII schedule only permitted levy of tax on lands and buildings. It did not permit the levy of tax on machinery contained in or situated on the building even though the machinery was therefor the use of the building for a particular purpose. Rule 7 (2) which levied such a tax was therefore beyond the legislative competence of the State Government.

"Rules 7 (2) and (3) were also invalid on account of excessive delegation of powers by the legislature. Under these rules the specification for the classes of machinery for purposes of taxation is done by the Commissioner with the approval of the corporation irrespective of the fact as to where they are to be found. It, therefore, depends upon the arbitrary

will of the Commissioner as to what machinery he will specify and what he would not.

Moreover he is the only person who can examine this question as there is no right of appeal."

PROPERTY TAXES AND PROVISION OF AMENITIES

Can the Property Taxes be withheld on the ground of non-provision or inadequate provision of certain civic amenities ?

With the exception of the general tax all components of the Property taxes are 'Service Taxes'. The Municipal Acts provide that the service taxes shall be levied when the specified services have been provided and the rates shall be such as would cover the expenditure involved. Thus under section 115 of the Delhi Municipal Corporation Act, water tax can be levied in such areas of the corporation in which piped water supply has been arranged by the corporation. The scavenging tax can be levied in areas in which scavenging arrangements through municipal agency have been made. Similarly lighting tax can be levied under certain municipal Acts in localities in which provision of electric lights has been made by the civic body. Same is the case with 'Sewer tax, fire tax, etc. The rates of these taxes shall be such as will cover reasonable expenses of providing these specified services. This gives rise to an impression that municipal property taxes are payable for specific civic services. "The Citizen pays his taxes in sorrow and rates in anger". Whenever there is lack of provision of certain services the citizens are indignant. Recently, Resident's

Associations of a number of colonies in Delhi filed writ petition in the Delhi High Court seeking to restrain the Corporation from realising property taxes from them on the grounds that either the services had not been taken over, i.e., the Corporation had not started providing services like maintenance of Roads, Street lighting, regular cleaning of roads and public places, supply of water, drainage, parks, etc., in their respective colonies, or the services provided were sub-standard. An interim injunction was issued by the High Court and the municipal corporation was restrained from recovering the taxes. All the cases were collected and referred to a Division Bench of the High Court, in view of the importance of the issues involved.

It was pleaded on behalf of the Associations of the Residents that under section 113 of the D.M.C. Act, the taxes were to be levied "For purposes of the Act". The purposes of the Act were given in sections 42 & 43 of the Act which enumerated the obligatory and discretionary functions of the Corporations, respectively. The services mentioned by the petitioners were included among the obligatory functions of the Corporation.

The Resident's Associations of the newly developed colonies, viz., Green Park extension area, Safdarjung Enclave, Dyal Bagh Colony and C.C. Colony contended that the Corporation had not yet started providing most of the services in their colonies. The Punjabi Bagh Association pleaded that a heavy amount was being unreasonably demanded from them by the Corporation for the completion of the services and the taking over of the services was being wrongfully delayed on

that account. The Water supply and scavenging services which had been taken over in name were sub-standard, fire Station was also at distance. The residents of Namdhari Colony pleaded that services like schools, dispensary, parks, etc., were non-existent in their colony and the sanitation was badly neglected.

The Associations pleaded that under the law the Corporation was bound to take over all these services and to make adequate provision for the same. The taxes are the price which the ratepayers pay for the services rendered by the Corporation. As the Corporation had not been providing the services there is no justification for the levy of the taxes in question and the levy is an illegal exaction.

On behalf of the Corporation Shri Niren De, Attorney General replied that the Corporation had not taken over certain services as these had not been completed in accordance with the specifications laid down by the Corporation at the time of approving the lay-out plan under section 313 of the Act.

The Streets in Punjabi Bagh, therefore continued to be private streets. The Corporation could not under the law incur expenditure on lighting, maintaining and cleansing of private streets. There was, therefore, no default on the part of the Corporation on this account. As for water tax, scavenging & fire taxes, the condition mentioned in the Act for levy of these taxes had been fulfilled. The general tax was a tax and not fee. Its levy did not depend upon the provision of any particular service but it was for

the general purposes of the Act. After examining the relevant provisions of the Act, Court held that property taxes were taxes and not fees and consequently there was no *quid pro quo* attached to these amounts.

Section 42 enumerates the obligatory functions of the Corporation expenses of which are to be met from municipal fund which includes property taxes but it does not mean that the performance of the functions under section 42 and the levy of tax under section 113 are dependent on each other. Both the sections are mandatory and the Corporation is as much bound to levy taxes under section 113 as it is bound to perform its functions under section 42, independently of each other. If the Corporation failed to perform any of the obligatory functions a writ of mandamus would lie.

The Court accordingly did not accept the prayer to permanently restrain the Corporation from realizing the taxes in question from the petitioners. However, the writ petition was allowed partly and the Corporation was directed to declare the Streets in Punjabi Bagh as public streets and to take over the services of: (1) Street lighting, (2) Sewerage, (3) Storm water drainage, (4) Drinking water, (5) Roads, service lanes, etc., (6) Roadside plantation, and parks, (7) and Scavenging in respect of Punjabi Bagh Colony.

The petitions filed by other colonies were also decided accordingly.

These petitions were rejected insofar as they related to the issue of a permanent injunction against the levy and

collection of property taxes.

LIMITS TO THE POWERS OF MUNICIPAL TAXATION

To what extent the powers of taxation may be delegated to and exercised by the Local Bodies?

The question was discussed by the High Court of Delhi and the Supreme Court of India while deciding a writ petition filed by M/s Delhi Cloth & General Mills & Co and M/s Birla Cotton and Spinning Mills Co Ltd against the levy of tax by the Delhi Municipal Corporation on the consumption, supply and sale of electricity.

The observations made by the courts in the course of their judgements are very illuminating. The State and municipal authorities deciding about the rates of taxes can see the strength and weaknesses of their decisions in the light of these observations. Very briefly the facts of the case were as follows:

Under Section 113 (2) of the Delhi Municipal Corporation Act, the Corporation may levy a tax on consumption, supply and sale of electricity. The procedure for the levy of a discretionary tax is prescribed in section 150 of the Act, which runs as follows:

150 (1). The Corporation may at a meeting, pass a resolution for the levy of any of the taxes specified in Sub-section (2) of the section 113, defining the maximum rate of tax to be levied, the classes of persons or the descriptions of articles and properties to be taxed, the system of assessment to be adopted and the exemptions, if any, to be granted.

150 (2). Any resolution passed under sub-section (1) shall be submitted to the Central Government for its sanction and if sanctioned; shall come into force from such date as may be specified in the order of sanction.

150 (3) After a resolution has come into force under sub-section (2), the Corporation may subject to the maximum rate pass a second resolution determining the actual rates at which the tax shall be leviable and the tax shall come into force on the first day of the quarter of the year next following the date on which such second resolution is passed.

The Corporation accordingly decided to levy the tax on sale supply and consumption of electricity, and on receipt of the sanction of Central Government levied the tax at prescribed rates *w.e.f.* April 1959. The levy was challenged in the High Court of Delhi by a writ petition by M/s Delhi Cloth & General Mills and M/s Birla Cotton Spinning and Weaving Mills Co. Ltd, as being *ulter vires* and illegal.

The High Court held that section 113 (2) (d) read with section 150 delegated to the Corporation an unguided and unfettered power to impose any amount of tax it likes on any person or property of its own exclusive choice. In the absence of intelligent standards prescribed by the legislature, sections 113(2) and 150(1) must be held to be suffering from the vice of excessive delegation and therefore void. It has been left completely to the Corporation to fix any rates it likes. The fact that under sub-section (2) of section 150 the first resolution has to be sanctioned by the Central Government

provides no check or control as that also has to be done by the executive. The Corporation can no doubt launch upon business adventures.

A ceiling is provided with reference to all the compulsory taxes under section 113, so that if the Corporation suffers losses it can make up the said losses only from optional taxes... even selection of the persons and properties to be taxed, the system of assessment to be adopted has been left completely to the judgement of the Corporation. It cannot therefore be said that any intelligent standards have been prescribed for the exercise for the powers of taxation.

The Supreme Court, however, on appeal reversed the findings of the High Court and held these sections to be *intra vires* on the following grounds:

- (a) The delegation has been made to an elected body responsible to the people including those who pay taxes, which is an important check on the elected councillors fixing unreasonable rates of taxation.
- (b) The limit to which the Corporation can tax is circumscribed by the need to finance the obligatory and discretionary functions. It is not open to the Corporation to collect more than it needs for the functions to perform.
- (c) Budget estimates have to be adopted every year under section 109 of the Act.
- (d) The maximum rates fixed by the Corporation have to be

submitted to the Central Government for its sanction and the Government in turn is responsible to the legislature.

- (e) *Should the Corporation fix rates which are unreasonable it will always be open to the Courts to strike down such impost.*

(Municipal Corporation of Delhi v. Birla Cotton, Spinning & Weaving Mills (1968) 3 SCR 252).

TAX ON MUNICIPAL PROPERTIES

The question of levy of tax on Government Property has received some attention but the same question in regard to Municipal property does not appear to have received the attention that it deserves.

The matter came into limelight when the tenants of some Municipal buildings challenged the decision of the Hubli Dharwar Municipal Borough (since raised to the status of a Corporation) to recover house tax and other municipal taxes from them and the case went up to the Supreme Court.

Section 85 of the Bombay Municipal Borough Act 1925 which applied at that time, laid down that "A tax imposed in the form of a rate on buildings or land or both shall be leviable primarily from the actual occupier of the property upon which the tax is assessed if he is the lease from the Government or from the municipality... otherwise the tax shall be primarily leviable as follows:

- (a) If the property is let, from the lessor;

(b) If the property is sub-let, from the superior lessor;

- (c) If the property is unlet, from the person in whom the right to let the same vests".

The Hubli-Dharwar Municipal Council accordingly decided to levy the tax with effect from April 1, 1955 after completing the necessary formalities. The lease deeds executed by the Corporation in favour of the tenants both before and after April 1, 1955 were however silent on the point of payment of taxes. The tenants concerned filed a suit holding that the respondent was not legally competent to levy on the tenants any sum in excess of the agreed rents and the bills issued for recovery of the excess were not valid and that in the circumstances of the case prior notice under section 206-A of the Act was not necessary. On appeal the second Additional District Judge agreed with the trial court that the levy of the tax was not justified but held that the suit without a proper notice under section 296-A of the Act was not maintainable. He, therefore, allowed the appeal and dismissed the suit with costs. On second appeal the High Court of Mysore upheld the dismissal of the suit but on both the grounds that the tax was validly levied and that the suit was not maintainable for want of proper notice under section 206-A of the Act.

The Supreme Court, before which the case was then taken by the tenants, did not agree with the counsel for the appellants that the scheme of the Act contained any indication that buildings belonging to the municipality itself could

not be subjected to house-tax. In fact, the Supreme Court further observed, that the language of Section 85 specifically envisaged imposition of such a tax on buildings belonging to the municipality. It lays down that such a tax shall be leviable primarily from the actual occupier holding a lease from the municipality. This could only be laid down on the basis that the buildings owned by the municipality can be subjected to tax. The Supreme Court therefore, agreed with the High Court that the tax was validly imposed.

There are thousands of properties belonging to the Municipal Corporation of Delhi on lease with tenants for which no tax is being realized. The Corporation Act is also silent on the point. It is necessary that full consideration be given to the question of realizing tax in respect of municipal properties on rent with private individuals and very clear provisions be made in the municipal Acts and if necessary, even in the Rent Acts so that the Local Bodies may not suffer any losses of revenue on this account.

AN ISSUE AWAITING DECISION

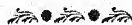
A new issue has recently been raised in a writ petition filed directly in the Supreme Court of India. The issue is "whether the property taxes can be levied on a graduated scale"?

The petitioners have challenged the decision of the Municipal Corporation of Delhi by which General tax has been levied on a progressive scale. It is contended that progression can not be applied in the case of property taxes,

which are levied by civic bodies for the purpose of providing civic amenities. There must be a nexus between the services provided and the taxes levied. These taxes are not being levied on progressive scale even in England or America. These are not like Income Tax. *Inter alia* it was pleaded that the scale levied by the corporation was inequitable. It was not on slab system and there was no marginal adjustment. For instance, while the tax was leviable at 25 per cent on the properties with a retable value between 12,000 to 20,000 it was 30 per cent on properties with retable value of over Rs. 20,000. The tax on a property with retable value of Rs. 20,000 came to Rs. 5,000. The tax on a property with retable value of Rs. 20,010 came to Rs. 6,003, i.e., an increase of Rs. 1,003. In tax for an increase of Rs. 10 only in the retable value. It may be mentioned that the scale has since been revised w.e.f. April, 1972 in such a way that the next higher rates of tax are now applicable not to the entire amount of retable value in the lower range but only to the excess over the next lower range. Accordingly in the example quoted above, the tax on Rs. 20,010 will now be calculated as below :

Tax on Rs. 20,000@	
25%	= Rs. 5,000
Tax on Rs. 10 @ 30%	= Rs. 3
Total	= Rs. 5,003

Thus some wind has been taken out of the sails of the petitioner's case. However as an increasing number of corporations is resorting to the graduated scale, the decision of the Supreme Court will be keenly awaited.



Assessment of Property Tax

THE revenue yield from property taxes is directly related to two factors: the rate at which they are levied and the assessed annual value of land and buildings. In the present context of a rapid rise in rentals and values of urban properties, much of the elasticity of property tax as an expanding source of revenue has come to depend upon an effective machinery for assessment of the valuation of property and its regular periodic revisions. There is also the problem of additions and alterations to existing properties and construction of new ones, that require being brought on the assessment list quickly to avoid loss of revenue to the municipal exchequer.

Too many local authorities in India are losing substantial revenues each year due to assessment list remaining more or less static over many many years or the assessment having been carried out in an *ad hoc* manner. A good many local bodies, particularly in the eastern States, have maintained high rates of property taxes but obtain disproportionately low per capita income from this vital source, largely due to lack of proper assessment. It is not unusual that some properties may remain unassessed for a number of years. On the other hand, there are municipal authorities in the Southern and Western States, where the total assessed value for the

city registers a steady rise from year to year. This paper seek to discuss two important factors that are crucial to the proper maintenance of assessment lists: (a) the periodicity and the time-schedule for assessment operations, and (b) the organisation and machinery for the determination of annual value. A comparative statement of assessment procedures and mechanism as provided in the Corporation Acts is attached. The position under the municipalities acts in different States has similar variations.

PERIODICITY OF ASSESSMENT OPERATIONS

Most municipal acts or rules made thereunder envisage a quinquennial revision of assessment. Even where the municipal authorities have power to take up reassessment any time in a year, the usual practice is to review the valuation of properties at five yearly intervals. Actually however, there are varying practices adopted and there are varying degrees of rigidity about the assessment list. In U.P. for instance, assessment proceedings determine the value for the quinquennium and it is not open to revise the assessment of a property in the intervening period (even if rental value is known to have increased) except in the event of additions and alteration or new construction. At the other extreme are the provisions of

the Delhi Municipal Corporation Act, 1957 under which assessment of any property can be re-opened at any time and the usual proceeding started not only at the instance of the Commissioner but on the tax-payer raising objections about the bill of demand served, being based on unjustified valuation. This has contributed not a little to the arrears in collection. The assessment list is wide open all the time and its thorough overall revision may never be undertaken.

In some municipal acts assessment of properties may be undertaken on the resolution of the local body or on the direction of State Government. This may not happen for years together. The preparation of a revised assessment list is looked upon as a cumbersome process calling for engagement of additional staff and voting of additional funds in annual budget. It is not unusual even to overlook the requirements of law to take up assessment within a given period for similar reasons. As will be seen later most local authorities do not have any regular assessment department and one has to be improvised every time the exercise is undertaken.

A number of major municipal authorities, however, have a regular routine for preparation and revision of the assessment list. In Madras, for instance, the Corporation undertakes each year a complete revision for about a fifth of its territorial divisions, establishing a cycle of five yearly assessment of all properties. For four-fifths of the remaining divisions each year, re-assessment is undertaken only in respect of new constructions or properties, where any increase in value is noticed for one reason or

the other, so that by and large the list is kept up-to-date as far as possible and this facilitates the quinquennial revision at the appropriate time. Such an arrangement is most convenient for larger urban local bodies—as it distributes the workload making it possible to maintain a regular assessment staff, which builds up expertise and knowledge and helps to expedite the process of assessment. In Corporation towns, such as those of Uttar Pradesh, where the entire assessment list is taken up for revision once in five years, the operations take two or three years to complete requiring appointment of additional staff while during the remaining period the staff gets scattered and continuity is lost.

VALUATION MACHINERY

This brings up the question of the mechanics of valuation, which can be examined in two parts :

- (a) the organisation of assessment operations and the technical tasks of estimating the annual value; and
- (b) the decision-making process to finally determine the valuation.

The *first* relates to the routine of collecting information; requiring filing of details by the assessee, the estimation of annual value and notifying each assessee, in whose case valuation is proposed to be increased, of the new valuation to which the property is being assessed and inviting objections, if any, in the absence of which the proposed valuation may be confirmed by the appropriate authority. The *second* stage is that of hearing of objections and determining the value on the basis of which the assessee will be liable to pay

property taxes for the coming years; subject, of course, to the option of the owner to challenge the assessment in a court of law. While the procedures in respect of stage one are more or less uniform, (though far from satisfactory) the authority to hear objections and determine the valuation is vested either in the permanent Chief Executive or a Committee or Sub-Committee of elected members.

It is this last practice of the exercise of power of revision by elected members that has been adversely commented upon by the various Committees and Commissions that have reported on finances of local bodies. This is regarded as introducing an element of uncertainty and fickleness in the determination of value, which, it is contended, should be treated as an administrative and technical matter. It is, nevertheless, a semi-judicial process related in some measure, to the facts of each case. Even so there is no doubt that the elected members find it difficult to detach themselves entirely from local influences and it is more likely that their decisions tend to weigh in favour of the assessee. An independent centralised valuation machinery has, therefore, been recommended by practically every Committee and Commission since 1949.

But by far the more important part of the process is the first stage, viz., the organisation of assessment operations, and the attention to details and expertise that is brought to bear upon them. Even when the power to determine the final valuation vests in the municipal commissioner or some permanent official (as is the case in many Corpora-

tions), the assessments are far from being satisfactory and cases of under-assessment and defective assessment persist, because of the shortcomings of the assessing machinery. It is not unusual for even the elected members entrusted with disposal of objections to point the loopholes in the valuation proposed by the assessment officials. The fact is that with few exceptions most municipal authorities have not appreciated the need of a sound assessing organisation manned by suitably qualified and trained personnel. The assessment lists bear the stamp of hurried operations and *ad hoc* decisions. No wonder that when challenged in a court of law the municipal defence is generally weak.

There are considerable variations in the competence and organisation of the assessment machinery in different States and between the municipal authorities with an enormous range of population sizes and budgetary dimensions. It is only the major municipal Corporations that do and can afford to maintain a regular assessment department. Some of these departments have built up considerable competence and expertise as well as a detailed knowledge of local situations. There are other municipal authorities, which maintain a skeletal department which is reinforced, when quinquennial operations fall due. The vast majority of local authorities do not maintain any regular assessment machinery and *ad hoc* arrangements are made, whenever it is decided to undertake assessment operations. In some States the Government deposes an officer to conduct assessment proceedings as in most States in the Eastern parts of the

country. In Maharashtra, a Valuation Section has been set up as part of the State Town Planning Department to help in assessment operations of the municipalities governed by the Maharashtra Municipalities Act, 1965. In Orissa and Assam also attempts have been made to set up a regular Valuation Section in the Directorate of Urban Local Bodies.

In any case it is clear that except in a few major corporations in the country not much attention is paid to this vital area of tax administration. Even when an assessment department is set up or where assessment operations are organised on an *ad hoc* basis, the personnel assigned to the task is hardly qualified to undertake this specialised work. It is true that there is a dearth of qualified personnel in this field. This underlines the need of training. It is, however, generally presumed that any inspector-level staff can carry out the duties. The services of the engineering department are sometimes requisitioned to work out capital values in respect, particularly, of large institutional and industrial establishments and other owner-occupied properties. Nevertheless, it is rarely that the assessment operations are systematised.

The situation is far more unsatisfactory when there is no regular assessment set-up. But the fact is that most of the medium size smaller towns are not in a position to maintain a regular assessment department. Even if they could appropriate, expertise will just not be available. This is not only the case with India but in most countries it has been found necessary to make arrange-

ments at the Government level for an effective machinery for valuation of real estate. The U.K. Local Government Act, 1948 provided for a centralised valuation machinery and in most western countries valuation is looked upon as a special task. Moreover, valuation of properties is required not only for levy of rates but also for a number of purposes, such as land acquisition, estate duties, securities and mortgages, etc. The owners would like the valuation to be low for taxation but high for other purposes. It is only proper, therefore, that valuation should be scientific and fair.

One of the factors that has not been given due consideration by advocates of centralised valuation, is the overwhelming importance of local factors in the determination of value—which is measurable not in terms of costs but the economic return that a given property can bring to its owner. Property values vary widely not only from city to city but as between one locality and another in the same town—largely because of the enormous difference in site-values. It is this factor of location and land values that introduces the most uncertain element in valuation and of returns in the form of rentals. Even if rent controls are applicable, the site-values are reflected in premia or puggies over or under the table. Under the impact of the dynamic urban situation, the dominant factor in valuation is site value, which in turn is reflected in the sharp variation in rents in response to a free play of the forces of demand and supply. This makes the determination of valuation depend not so much on construction costs (a civil engineer's

speciality, as on land values requiring local knowledge of property dealers. Evidence of facts rather than scientific estimates of costs takes the front seat. This may also imply greater vigilance in the revision of assessment. It is such a situation that would place a central valuation agency at a disadvantage. A well organised and vigilant machinery at the local level would be most appropriate. The Central Valuation Organisation can, however, exercise broad supervision to guide and regulate the working of the local agency.

CONCLUDING REMARKS

The major municipalities should, therefore, have an assessment organisation of their own even though its strength may have to be varied in relation to workload from time to time. Nevertheless, it will be necessary to have valuation operations in most of the urban areas, but also to provide expert guidance and even depute personnel, where necessary, to those local authorities that maintain a regular assessing department. The Rural Urban Relationship Committee's recommendations in this regard are as follows:

- (a) there should be a Chief Valuation Officer in the Directorate of Local Bodies, who should play down principles for determining the annual values and supervise and control the valuation officers;
- (b) there should be full-time Valuation Officers for cities with a population of five lakhs or more. For groups of smaller cities and towns, Valuation Officers should be appointed according to the volume of work;

- (c) the assessment lists should be prepared by the Valuation Officer with the assistance of the executive officer/Deputy Municipal Commissioner and published for objections. After deciding the objections the Valuation Officer may finalise the list.

Another important task of such a State-local valuation organisation would be the rationalisation of the law and rules regarding assessment and valuation. The present provisions in municipal laws are hardly complete. Not only are there too many gaps but the existing provisions are often vague resulting in a variety of interpretations and considerable litigation, which would naturally give the benefit of doubt to the assessee. The legal provisions in respect of annual value, assessment procedures and valuation machinery have not received the attention they deserve.

The Municipal law also needs to be carefully revised in the matter of provisions for appeals against assessment decisions. In all cases of tax assessment there is a built-in machinery for administrative review of decisions by tax officers through a semi-judicial process. This enables quick redress and speedy disposal. The Sales Tax, Income Tax, Customs and Excise levies are all open to review before appellate authorities. In most municipal acts, however, the appeal lies directly before the appropriate court. In the U.P. Municipalities Act, 1916, there are provisions for review by the Divisional Commissioner or his nominee. The Central Valuation Agency at the State level can very well serve as an

Once a sound base is secured, collection can be safely and confidently effected either through the traditional methods or by suitably amending or replacing them in the light of experiences in collection-fields of both civic and non-civic Governments as well as different private and public undertakings. One of the most common methods of collection employed by the local bodies is the door to door collection through paid employees.

The paid collection staff hardly possesses any incentive and the collection being a routine work with them, receives more often than not a mere perfunctory treatment. Not only the paid people hardly care to pay regular and frequent visits to the tax-payers, even the demand notices are not issued in time and the poor tax-payer is taken unaware when one fine morning somebody comes pounding on his door with a threat to put to auction his valuables.

Both the office and field staff are equally defaulters. It will be an interesting study to make as to how many municipalities have their demand ledgers up-to-date and how many of them care to prepare and scrutinise the list of tax defaulters. As a result of this indifference, an appreciable number of the dues are time-barred and have to be written off the municipal records. Distress warrants are not executed in time nor the certificates are filed before it is too late.

Only an efficient and effective handling of the collection staff can pay any dividend but so long as there are associations and unions of staff, hardly any coercive measure can be adopted

without which it is next to impossible to take work from a listless and irresponsible bunch of people who owe their employment more to the political manoeuvrings than to their merit and strength of character.

The only remedy is to replace the paid staff by commission agents who are supposed to possess atleast incentive if nothing else. Heavy cash securities coupled with reliable surity bonds can ward off the risk involved in this method.

One of the important factors weighing in favour of the collection through paid staff is the minimum scope for bungling if day-to-day checking is ensured by the supervisory staff and the executive heads. This is not often possible when the collection is effected through the commission agents. But more than usual vigilance on the part of the executives may minimise the scope for bungs on the part of the commission-staff.

Some municipalities may try with the combination of the both, i.e., the paid staff and commission agents and in fact some of the local bodies have been doing it with much success. In almost all towns there are collection-circles where collection comes very handy. Prosperous and responsible sections of people such as medical and legal practitioners, professors and other salary holders hardly grudge the payment of legitimate dues if approached in time. Such areas can be very well managed by comparatively sincere paid tax-collectors and the rest can be left to be managed by the commission agents. The dual method may save the local bodies some of its hard earned money for developmental and other allied

works as the commission agents are bound to get more than the regular staff.

But this hardly minimises the responsibility of the supervisory class especially the Tax-darogas and the Revenue Officers. More often than not these people remain chained to their chairs and it is one of the reasons of the field staff having grown lethargic and irresponsible.

The best way to take work from the supervisory class is to make their posts transferable. Not only the threat of transfer will galvanise them to work but will also do away effectively with the unhealthy practice of creating vested interests and setting at naught all the efforts of the executives to push up the collection of the taxes. This will also facilitate the even distribution of the services of some of the efficient supervisory staff available in the department.

Fixing of targets for each collecting hand, weekly or bi-weekly reviews of the performances, provision of rewards and existence of avenues for promotion on excellent results are a few recipes which can go some way to accelerate the efforts on the part of those associated with the collection works.

Regular drives organised by the executives with the assistances and cooperation of local magistracy and police have been found to yield satisfactory results, provided the local administration is favourably disposed towards the civic administration. Manpower is the only thing which is in abundance in the local bodies and this can be fully exploited to make such drives success even if the assistance from other quarters is slow to follow. Men,

drafted from departments other than collection can easily add to the numerical strength of those engaged in drive and this is one thing besides others, which goes to make the drive a success.

The Statutory provisions in some of the Municipal Acts may be standing in need of amendments to make the coercive measures more effective. Distress warrants for example, as per Bihar and Orissa Municipal Act, 1922, can be executed for dues of preceding two quarters only. Dues are time-barred, similarly, after three years only, though previously this period used to be of five years. Distress warrants may be made to cover atleast the dues of all the four quarters of the year and tax dues may not be allowed to be time-barred before atleast five years have passed.

Almost all the municipalities in the country are now covered by the Executive Officers. In Bihar almost all of them are drawn from the Civil Service. The desirability of vesting these Officers with sufficient magisterial powers to enable them to dispose off the certificate-cases themselves, may be considered by the State Governments. The vesting of magisterial powers may go to augment the financial resources of the local bodies in more than one way. Cases needing disposal through summary trials, such as those of vehicle taxes, food-stuff adulteration, dangerous and offensive trades can be very easily disposed off at the spot by these officers, which will result in instant additions to the municipal revenues.

Collection at counters is in need of encouragement in almost all the local bodies.

The municipal staff is no less responsible for discouraging the people in turning up at the counters to clear off their dues. The counter-payment deprives the collecting staff of illegal gratification to which tax payers are more or less accustomed by now. Provision of some incentives in the form of rebate, etc., for timely payments is the only way to counteract the above evil and attract the tax-payers to the payment counters in the municipal office itself. The Electric Supply Companies have been exploiting this recipe to its fullest advantage and the electric dues are perhaps the most timely cleared claims, though one is yet to find some electric-dues-collector pounding one's door during odd hours.

Fear of disconnection of electric lines is perhaps also one of the sure reasons which does not allow the electric dues to fall in heavy arrears. This device may come handy in case of local bodies also with certain amendments here and there in some of the Municipal Acts. The Allahabad High Court, for example, very recently challenged the power of the local Corporation to disconnect the water lines and as per Bihar and Orissa Municipal Acts, water can be denied only for water tax-dues and one can very easily avert the danger of getting one's house connections dried up, by paying off only a fraction of the total dues which in case of the property tax is comprised of not less than three different taxes.

Adequate and timely reminders to the tax-payers have yielded encouraging results not only in case of civic taxes but in case of any dues. No one welcomes dunning letters in one's mail

and a few open reminders make even the worst tax defaulter lay down his arms and rush to the municipal counter before any further humiliation is hurled up upon him. I got this trick from an Income Tax Officer posted in one of the biggest cities of the country, who had succeeded in breaking the back-bones of the hardest of the evaders by dropping a mischief-looking red-card at regular intervals. This method certainly works in case of local bodies also provided no mischief is done in mailing these cards. Such mischiefs are hardly a surprising phenomenon in the local bodies, miserably poor in human-stuff as they are. In fact nothing surprises in the local bodies in this country except a twinkling of honesty and sincerity here and there.

Inadequacy of the number of collecting staff and its supervisory counterpart is also responsible for poor collection in not a few local bodies. Lack of systematic and scientific approach towards man management and work allocation has resulted in a serious imbalance in the utilisation of manpower in many municipalities and even though the total number of the paid staff might be alarming, important departments like collection, correspondence, etc., suffer for lack of adequate hands while some otherwise paying sections like vehicle tax, etc., are over-staffed. It was perhaps for this reason that the "Rural Urban Relationship Committee" remarked,—“The Municipal bodies have woefully neglected the work of recovery of taxes. Arrears continue to accumulate until they become irrecoverable and have to be written off. The heavy arrears of taxes and dues in the large number of local bodies are mainly

due to lack of proper and adequate collecting staff, and the unwillingness of the collecting agency to take timely and prompt action".

Unwillingness on the part of the collecting staff to take timely action may be attributed besides other things, to the political pressure to which no local body can be supposed to be immune. It is here that the desirability of disassociating the elected members of the council, altogether, with the collection work, can be considered.

"The work of assessment and collection", remarked the Taxation Enquiry Committee, 1926, (page 289, vol. 7), "should not be done by persons dependent on the votes of the electorate. It should be done by a paid agency. In larger municipalities an officer of the grade of Deputy Collector may be appointed to make assessment and to be incharge of collection work. In the case of smaller municipalities an officer of the grade of Deputy Tahsildar should ordinarily suffice. The office should be appointed with the approval of the State Government."

With the posting of Executive Officer in almost all the municipalities of the country, the above objective has been more or less realised but the institution of the Executive Officer has not everywhere been much effective in the sphere of tax-collection. Except in cases where the officers are drafted right from the State Civil Service, the stuff that the local bodies get is not always up to the mark. With poor service conditions, and politics reigning supreme, few municipalities succeed in attracting men of talents and integrity

and it is no wonder that most of the local bodies continue to be in the same administrative and financial mess, in which they were used to be prior to the posting of the Executive Officers.

Suggestions have been made to make over the collection-business to the Government in their Revenue Departments and refund the amounts thus collected in form of specific or non-specific grants. But as it tells much upon the autonomy of the local bodies, this method can hardly be acceptable to them.

There can however be one alternative to the above and that is to draft the Executive Officers in all the States from the Civil Service itself and entrust them with the work of assessment and collection. But the experience in Bihar where almost all the Executive Officers are either Deputy or Sub-Deputy Collectors has been very encouraging. Besides many other things there have been two most important factors which come in the way of efficient discharge of duties by these Executive Officers.

Firstly, these Officers are usually overburdened with work. With the posting of the Executive Officer; Chairman, Vice-Chairmen and other elected executives have almost disassociated themselves, to the extent of non-cooperation, with the municipal affairs, leaving the poor Executive Officer alone in waging war on all fronts of municipal administration, vitiated invariably inefficiency and indifference. As a result of this he hardly devotes himself whole-heartedly to the task of collection which remained in many cases as bad as it used to be before the creation of the Institution of the Executive Officers.

Secondly, his position is not much better than his counterparts in other States, in the matter of freedom of judgement and action. True, he does not owe his appointment to the politicians, but with a provision in the Bihar and Orissa Municipal Act to effect his transfer by a 2/3rd majority vote, he falls in the easy trap of the Municipal Councillors. Nobody minds transfer at reasonably regular intervals but one surely grudges frequent transfers especially when they come riding on resolutions amounting to strictures. The recommendations of transfer by the Municipal Boards may not be based on sound and reasonable grounds, but the elected Government in the State are hardly supposed to undermine the importance of such recommendations and the helpless Executive Officers are compelled to face endless humiliations. The Executive Officers, therefore, adopt the line of least resistance and more often than not become puppets in the hands of the local politicians. It may thus appear that the

entire purpose of the posting of Executive Officers in the municipalities of Bihar has been defeated and unless the Act is suitably amended these officers are not going to prove much effective and useful.

The position in other States where the Executive Officers are appointed by the Board itself with or without the approval of the State Government is still worse.

The only way which is thus left is the posting of whole-time Civil Officers—with the lone responsibility of assessment and collection of taxes and make them fully independent in their spheres of operation with no influence whatsoever of the local politicians.

The Boards may be left free in the matter of policy formulation and even its execution, if the Governments so desire, but it is high time when the collection should slip from their hands and fall into the hands of independent Government agencies working on their behalf.



Property Tax Administration in Urban Local Bodies : A Study in Haryana

PROPERTY tax is one of the oldest taxes that still exists in one form or another in most of the countries in spite of criticisms against it. In countries like U.K., U.S.A., Canada and Australia, it is the highest and the most important source of tax revenue for local bodies. In India also it is so for urban local bodies, especially the States where octroi is not levied. Its percentage contribution to the total tax revenue is as high as 82 per cent in West Bengal, 78 per cent in Assam, 77 per cent in Bihar, 47 per cent in Tamil Nadu and 46 per cent in Bombay¹. In Haryana, the property tax contributes, on an average about 11 per cent to the total tax revenue.

The local bodies in India like those in U.S.A. enjoy only delegated powers for raising taxes. The property tax, generally known in India as tax on lands and buildings, owes its constitutional authority to item No. 49 of the State List, described as 'tax on lands and buildings'. Traditionally, it is a tax on immovable property and thus furniture and fixtures and even industrial machinery do not come within the purview of the tax. Further, it is a combination of a general

house tax and traditional service charges for water, conservancy, lighting, drainage, etc. It might be pointed out here that a proper balance between the 'general' and 'service' parts of the property tax has not been maintained by the municipal bodies in Haryana. Among the service taxes only water tax and water rate have been levied by a few municipal bodies. Moreover, the levy of the 'general' and 'service' parts of the tax has been kept separate throughout. Since the service taxes form a separate and very small part of the property tax in the municipal bodies in Haryana, only the administration of the general property tax, i.e., tax on houses and lands is being discussed here.

Administration of the property tax is a multi-phased programme consisting of valuation of properties; preparation of assessment lists; hearing of objections; and collection.

Modernised techniques for sound property tax administration are practically unknown to the municipal councillors and improved methods of valuation and assessment and vigorous tax collection techniques have not yet been employed.

¹India, *Report of the Rural-Urban Relationship Committee*, New Delhi, Ministry of Health and Family Planning, Government of India, 1966, Vol. I. p. 113.

The administration of the tax is influenced by many forces. The parties choose different strategies for their own ends. The owner of the property is interested in under-valuation. The assessment agency may be tempted to become a party to under valuation if it is tipped, or is influenced by political pressure. The taxpayers, including elected councillors, are interested either in minimum tax levy or in no levy at all. Consequently, the tax is either ignored or maladministered with the result that the optimum input is never realised. Table I shows the revenue of the municipalities in Haryana from the property tax over the past five years.

Though the percentage of revenue from the tax has increased from the 10.94 in 1964-65 to 11.92 in 1968-69, the increase is not very encouraging. There is still scope for augmenting revenue yield from the tax.

On close scrutiny, several factors have been found to be responsible for the low productivity of the tax.

DEFECTIVE AND OUTDATED MACHINERY OF ASSESSMENT, REVISION AND APPEAL

The existing machinery of assessment, revision and appeal has been responsible for causing much loss of revenue to the municipal bodies from the property tax. The administrative responsibility for preparing the assessment list, its revision and hearing of objections lies on the municipal committee and where there are executive officers; this responsibility vests in the executive officer. However, the number of municipal committees having an executive officer is very small and moreover the executive officer himself depends for his term of office upon the members of the committee who can remove him by a two-thirds majority vote. He is, therefore, very often influenced in the preparation of assessment list by the members. This means that the municipal councillors play the most significant role in determining property valuation. It is too much to expect that the assessment made by the members, who depend on the votes of the

TABLE I
REVENUE FROM THE PROPERTY TAX

Year	Total Tax revenue (Rs. in thousands)	Revenue from property tax (Rs. in thousands)	Percentage to total tax revenue
1964-65	15,107	1,502	10.94
1965-66	19,530	1,947	10.53
1966-67	21,153	1,971	10.06
1967-68	24,019	2,527	11.40
1968-69	28,771	3,161	11.92

SOURCE : Collected and compiled from: (a) *Statistical Abstract of Haryana for the year 1966, 1968-69 and 1969-70*, (b) *Statistical Abstract of (composite) Punjab, 1965*.

assesseees or on the goodwill of the persons whose own or their friends' properties are to be valued, would be objective and fair. Group interest and party pressure weigh with them more than any other consideration in the preparation of assessment list. In quite a few municipalities, assessments are made and reduced arbitrarily for the benefit of assesseees to values which sometimes are even below those declared by the assesseees themselves². Even if assessment is done with care and competence, its benefits are lost at the stage of appeal to the House Tax Sub-Committee consisting of elected representatives whose decisions may either be ever sympathetic or biased. Highest pressure is exercised at this stage. The taxpayer makes clever bids to get his tax reduced.

Though the Municipal Act provides for appeal against the decision of the committee to the District Magistrate, a large number of assesseees do not consider it worthwhile to file an appeal where stakes are not very large, on account of the trouble and expense involved in the process.

If the municipal bodies are to ensure fair and efficient valuation of municipal properties and want to improve the revenue yield from property tax, they should give up the practice of property valuation by their own untrained and low-paid staff and bring into being an impartial and

independent central valuation agency for all the local bodies within the State. The American experience has shown very clearly that efficiency of assessment is incompatible with the local control of the assessor. Under a purely local system of tax administration, observes Prof. Bullock "there never was and never will be a generally satisfactory assessment of either income or property. Central control of the process of assessment is necessary for the successful operation of either a property or an income tax and hardly more so for the one than for the other"³. In U.K. responsibility for property valuation for local rating purposes has been transferred to the Board of Inland Revenue—a central government department. This system of centralised assessment "offers an uncomplicated and effective means of obtaining uniformly high standard assessment throughout the State, by the use of professional staff following standard methods and procedures under central directions. . . The advantage of this system would be that even local bodies whose limited resources do not permit employment of highly paid and qualified valuers will be able to get the services of the valuation department of the State Government. Once such a valuation department is set up, reassessment of urban properties can be taken up systematically, at regular intervals, and the cases of unequal and under assessment, which are very common now, can be removed to a great extent"⁴.

² *Annual Report of the Local Audit Department, Haryana, 1966-67*, p. 7. *Audit Report of the Municipal Committee, Sirsa, 1969-70*, para 16 (a).

³ India, *Report of the Taxation Enquiry Commission, 1953-54*, New Delhi, Government of India, Vol. III, p. 482.

⁴ India, *Report of the Committee of Ministers on Augmentation of Financial Resources of Urban Local Bodies*, New Delhi, Government of India, 1963, p. 39.

The personnel of the valuation agency should be specially trained for efficient discharge of their highly technical duties and their working conditions should ensure a high morale. The duties imposed on the agency should be reasonably accompanied with adequate legal power to discharge them and no revisional or appellate functions should be vested in the municipal councillors.

NON-UTILISATION

In spite of their poor finances, which prevent them from maintaining satisfactory standards of municipal services as well as from undertaking town planning and other important schemes of public health and sanitation, not all the municipalities in Haryana have levied the property tax. For instance, in 1966-67, out of 59 municipalities only 48 levied property tax. The non-levy of the tax, besides depriving the municipal authorities of the much needed revenue, has also made them lean heavily on octroi duty as the main source of their tax revenue, thus linking the entire strength and stability of their tax revenue with the fluctuations in the contribution from this single source.

There is an urgent need to ensure the levy of the tax by all the municipal bodies for achieving equity in tax-burdens as well as for attaining fiscal soundness. The State Government should, therefore, be empowered to compulsorily require a municipal committee to impose any tax and impose the tax itself in case of committee's failure to do so. Further, grants should not be released to those municipalities which fail to levy the tax until such time as the tax is levied by them.

UNDER-UTILISATION

Under-utilisation of the tax has resulted in loss of revenue to the municipal bodies. The Municipal Act has fixed up a maximum at $12\frac{1}{2}$ per cent up to which the local authorities have discretion to raise the rate of the tax, but the actual rates charged by the municipal bodies fall short of this limit. This is illustrated in Table II.

TABLE II
ACTUAL RATES OF TAX LEVIED
1966-67

<i>Number of Municipalities</i>	<i>Tax Rate Per cent</i>
17	$7\frac{1}{2}$
13	$6\frac{1}{4}$
4	$6\frac{1}{2}$
4	10
4	$12\frac{1}{2}$
3	8
3	$7\frac{1}{2}$

SOURCE: Collected from *District Municipal Year Books, 1968*.

It is clear that during 1966-67 only 4 out of 48 municipalities levied the tax at the statutory rate of $12\frac{1}{2}$ per cent while majority of them levied the tax at rates which could hardly be termed reasonable. Since the burden of the tax falls directly on the residents, the municipalities are reluctant to levy it at sufficiently high rates. Invariably when the rate of the tax is raised, there is general dissatisfaction, giving rise to popular agitation and demand for its reduction. This finds support from the opponents of the party or group in power. It is, therefore, suggested that there should be a statutory

minimum rate of 12 per cent on the annual rental value of the property as general house tax.

NO PERIODICAL REVISION OF ASSESSMENT

As a rule, assessment of properties is to be revised every three years. However, for want of appropriate machinery, it is not unusual that the assessment lists are not regularly revised and the old lists continue to operate for a long time. This means that properties are taxed at their values prevailing several years back. The Annual Audit Report (1967-68) of Haryana pointed out that 'House tax assessment was based on survey of properties conducted by committees seven or eight years back. Thus the current rental values of the buildings were not taken into consideration, while in other cases the newly constructed buildings were not assessed to the tax'⁵.

Periodical revision of annual values of the buildings and lands is necessary for full utilisation of the productive capacity of the tax. The executive officer should therefore, be made accountable for the timely periodical revision of assessment work. He should maintain an up-to-date list of new buildings constructed and additions and alterations to existing buildings made since the last valuation. This would also expedite the work of valuation.

GRADUATION IN PROPERTY TAX

The system of graduation in property

tax existing in the rate structure of corporations should be introduced in the rate structure of municipalities, as an application of the principle of 'ability to pay' and as a measure of securing larger revenue for the municipal authorities. Since the municipalities in Haryana, at present tax, income from sources other than immovable property, through the levy of profession tax on a progressive scale, there is every justification for taxing the income from immovable property also on a progressive scale, as non-levy of property tax on a progressive scale indirectly makes the income from immovable property liable to tax at relatively lower rates.

EXEMPTIONS

Low productivity of the property tax may also be explained by the fact that the municipalities make too much liberal use of the exemptions under the tax. The classes of property to be exempted from the levy of the tax have not been specified in the Act with the result that exemptions are wrongly granted⁶. Table III shows the total number of residential houses along with the number of houses subjected to and exempted to from the tax by the municipal committees in Karnal district in 1966-67.

It is interesting to note that except in the case of Kaithal the number of houses exempted from the tax is quite large in every municipality. At places like Gharaunda and Shahabad the number of such houses is greater than the number of

⁵Annual Report of the Local Audit Department, Haryana, 1967-68, p.5.

⁶See in this connection, *Inspection and Audit Report*, Municipal Committee, Panipat, 1970-71, para 17.

TABLE III
HOUSES SUBJECTED AND EXEMPTED FROM TAX

Name of municipal committe	Number of Residential Houses				Total Cols. 2 to 5
	Subject to tax		Exempted from tax		
	Private	Government	Private	Government	
1	2	3	4	5	6
Gharaunda	1,083	4	1,306	11	2,404
Kaithal	5,920	757	209	8	6,894
Karnal	8,516	45	4,511	—	13,072
Ladwa*					
Panipat	25,837	125	10,226	125	36,313
Pehowa	1,820	15	600	—	2,435
Pundri	1,155	—	819	2	1,976
Radaur	800	2	—	—	802
Shahabad	1,878	—	2,352	—	4,230
Thanesar	4,291	—	—	427	4,718

* In Ladwa no house tax has been levied.

SOURCE : District Statistical Office, Karnal.

houses subject to tax. This is partly because of liberal use of exemptions and also partly because of the lack of proper scrutiny of the lists of houses enjoying exemptions. To improve the revenue yield from the tax the municipalities should scrutinise the lists of properties exempted from the tax carefully from time to time in order to see whether exemptions granted to such properties are justified or not. A proper scrutiny will show that a large number of houses which enjoy exemption may become liable to the general property tax. Further, the principles of exemption should be laid down in the Municipal Act. Exemption should not be allowed on the ground of the annual rental value falling below Rs. 120 as at present, provided the assessee has some other source of income besides immovable property.

ARREARS

If the assessment of property is unsatisfactory, the collection of the tax too remains far from satisfactory. The municipal authorities have woefully neglected the work of collection of the tax. Arrears continues to accumulate till they become irrecoverable and are, then, written off. The accumulation of arrears may be attributed to: (1) lack of proper and adequate collecting and supervisory staff; (2) unwillingness of the collecting staff to take prompt and timely measures for the recovery of the tax; (3) delay on the part of the Collectors to invoke the provisions of the Land Revenue Act against the defaulters whose cases are reported to them; (4) failure on the part of the State Government to take action under Section 98 of the Haryana Municipal Act (5) delay on the part of the

State Government Departments to clear the arrears outstanding against them; (6) delay in the preparation and completion of assessment lists and disposal of objections; (7) and (8) unwillingness of the public to pay.

Table IV gives a clear picture of the position of house tax arrears in the municipal committees of Karnal district which represents the general position of house tax arrears in the municipal committees in the State.

It is surprising that the arrears, instead of showing any decline, have been mounting up in places like Gharaunda, Shahabad, Pehowa and Panipat. Only in the municipalities of Kaithal and Thanesar have the arrears shown substantial reduction while in others only marginal improvements have taken place.

The municipalities have neglected the work of recovery of arrears can be seen from the fact that the pace of recovery is generally below the mark of 90 per cent prescribed by the State Government⁷.

Another surprising feature of the house tax arrears is that a number of municipal committees are among the defaulters. In some cases even the names of the municipal president and vice-president figure in the list of defaulters.

Improvement in the machinery of tax assessment will by itself produce no tangible effect if the machinery of tax collection is also not improved simultaneously. The effective means to improve the collection machinery is to improve the efficiency of the municipal personnel. The collection of tax now-a-days

TABLE IV
HOUSE TAX ARREARS IN MUNICIPAL COMMITTEES

<i>Name of Municipalities</i>	<i>Arrears on 1.4.1968 (Rs.)</i>	<i>Arrears on 1.4.1969 (Rs.)</i>	<i>Percentage of collection</i>
Gharaunda	17,682	21,712	42
Radaur	12,106	8,081	66
Kaithal	33,063	89,715	72
Karnal	2,01,784	1,44,911	61
Panipat	17,683	1,53,845	47
Thanesar	1,21,328	47,147	72
Shahabad	19,864	34,024	50
Pehowa	14,392	18,055	50
Pundri	Not available		

SOURCE : A study conducted by the author of *Arrears of Municipal Taxes in Haryana*.

⁷Composite Punjab Government Endorsement No. 9124-CI/4778, December 8, 1965.

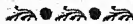
requires trained and competent persons. However, unless the salary scales and conditions of municipal service are made more attractive, it is difficult to attract the right type of persons for the job. Ways and means should be devised for transfer of tax collecting staff on rotation basis so that no one is confined to any particular area or job for a long period. There is further scope for improvement in collections if the following measures are taken :

- (1) The Executive officer should be made responsible for tax collection falling below 75 per cent of the total demand.
- (2) The municipal committees should have the power to proceed not only against movable property but also against immovable property for the recovery of their taxes.
- (3) The State Government should provide an incentive grant to the municipal committees for prompt recovery of their taxes.
- (4) In case of repeated defaults in recovery of the tax arrears, the municipal committees should be made to lose the grants-in-aid either in part or even in full.
- (5) Incentive should be given where it has not been given for prompt payments, by allowing rebate of 10 per cent on the tax due if the

payment is made within the prescribed time. Conversely, a penalty should be imposed on late payments.

- (6) A provision should be made in the Municipal Act to disqualify a person in arrears of the municipal taxes from seeking election to the municipal body.
- (7) A separate list of defaulters should be prepared and the supply of municipal services should be stopped to them.
- (8) Mass contact campaign may be resorted to from time to time to stir awareness of the need for such collections of arrears. This exposes the defaulters to public criticism.

The future of municipal finance depends on the full exploitation of the tax on lands and buildings. The yield from the property tax can be easily doubled by making the levy of the 'service part' of the tax compulsory for the municipal bodies. The non-levy of service taxes such as conservancy tax, drainage tax, lighting tax, etc., results in the deterioration of such services merely for want of adequate finance. Moreover, there is every justification for levy of conservancy and drainage taxes as in some form or other these services are rendered by the municipal authorities.



Property Taxes of Urban Local Bodies in Assam

THE difficulties of the urban local bodies in Assam in regard to property taxes, arise principally out of the lack of an adequate and effective machinery for assessment and collection. This is perhaps not typical of Assam alone, as most of the urban local bodies in the country must be having similar problems in the administration of their property taxes.

MACHINERY OF ASSESSMENT

Under the Assam Municipal Act 1956 (which is now in force), an Assessor for the purpose of determining the annual value of holdings in a town can be appointed by the local body with the approval of the State Government. Generally, the local body appoints a Government official of the Revenue Department (on part-time basis) or a private individual having some experience in such assessment work. Since the Government official has his own normal duties and the assessment is considered to be an extra work for which he is paid a remuneration on monthly basis, he is unable to devote sufficient time and attention to assessment work; he depends largely on the subordinate staff drawn from the local body itself. The result is that there is considerable delay in completing the work but what is even more important the quality of the work materially suffers. The private individual

is appointed on contract basis for a given period and he gets a lumpsum remuneration for the work. He has neither the expertise nor the experience to prove to be a qualified Assessor. In some cases, the local body entrusts the work to a retired Revenue official of the lowest grade who simply lacks in the ability to undertake such a responsible task.

There was, moreover, until two years ago, no system of any supervision over the work of the Assessors and they did the work on their own consultation with the local body. They considered it convenient to fix the valuation at a low level and in most cases, it was only about 50 per cent of what ought to be the value under the law. The relevant particulars were not entered in the valuation list and it was difficult to know the basis on which the valuation was determined.

In 1970, the State Government, following the recommendation of the Rural-Urban Relationship Committee, set up a Central Valuation Cell in the Directorate of Municipal Administration and appointed a Chief Valuation Officer to guide and supervise the Assessors in their work. Provision has also been made for appointment of three Valuation Officers in the Cell for taking up assessment in the different local bodies as and

when due. Assam is probably first among the States in the country to set up such a Central Valuation Organisation.

The Central Valuation Cell has been trying to lay down uniform principles of valuation applicable to the urban local bodies all throughout the State and to ensure that the Assessors follow these principles in carrying out their work. But the difficulties are not over yet. There are 55 urban bodies in the State and since, according to the Assam Municipal Act, assessment is to be revised quinquennially, it falls due in 11 towns in a year on an average. It is practically impossible for only three Valuation Officers of the Central Valuation Cell to execute this huge task. So the necessity of appointing Government officials as parttime Valuation Officers still remains and in most of the Towns the work is even now being entrusted to such officials. Government have in the mean while decided as a matter of policy against the appointment of private individuals as Assessors.

The appointment of Government officials as part-time Assessors as stated already, is an unsatisfactory arrangement; but even such part-time officials are difficult to find. The Departments under whom they work, cannot make them readily available for such work in view of the pressure of their normal official duties. This difficulty in finding even a part-time Assessor, adds further to the delay in assessment. Such delay deprives the local body of increased revenue from property taxes for considerable period of time.

METHOD OF ASSESSMENT

The Assam Municipal Act 1956 defines annual value as the gross annual rental at which a holding is reasonably expected to let. The annual value however as per ruling of the Court, cannot exceed the 'Standard Rent' of the holding calculated according to the provision of the Urban Areas Rent Control Act. Where the holding is used by the owner for his own residence, he gets a rebate of 25 per cent.

The limitation of annual value to % 'Standard Rent', has, in many cases resulted in undue advantage to the property-owners. In the bigger towns and particularly in the centrally situated areas, though the market rent is much above the 'Standard Rent', the annual value has to be fixed at the level of the 'Standard Rent'. The owner is thus required to pay lesser amount of taxes than what he would have paid on the basis of rental value as such. The local body loses revenue to that extent.

Another undesirable aspect of this is that the valuation becomes substantially discriminatory in nature. Supposing two separate holdings are let out on a yearly rental of Rs. 6000 each; but when their 'Standard Rent' is calculated taking into consideration the cost of land and building, allowing depreciation, etc., as provided in the Rent Control Act, the figure of 'Standard Rent' comes to Rs. 6000 in one case and to Rs. 4000 only in the other case. Since annual value of a holding cannot exceed its 'Standard Rent', the Assessor will have to fix the annual value of these two holdings at

Rs. 6000 and Rs. 4000 respectively even though both the holdings have in fact the same rental value of Rs. 6000. The result is that one owner pays larger Municipal taxes than the other, notwithstanding the fact that the benefits they enjoy are exactly the same. This is certainly quite a serious lacuna in the existing legislation on the subject. Government is taking steps for elaborate amendment of the existing Assam Municipal Act and it is hoped that when this is done, it will be possible to assess tax on a holding on its reasonable rental value. This would not only have the effects of removing the discrimination in assessment between one holding and another but also help increase the local bodies' revenue substantially, particularly in the bigger towns.

Appeals against assessment can be disposed of under the Act either by a Committee of the local body or a Government official to whom the local body delegates its powers in this behalf. Until 1970, such appeals were disposed of by the committee of the local body, but since the appointment of the Chief Valuation Officer in 1970, most of the local bodies have found it convenient to entrust the work to the Chief Valuation Officer. But what is more important is to prepare the assessment list free from drawbacks rather than to try to remove innumerable such drawbacks in review. Greater stress has therefore to be given to the work of Assessor.

CONSULTATION WITH IIPA

The Government of Assam requested the Indian Institute of Public Administration for its consultancy service to suggest guidelines as regards property

taxation of the urban local bodies in the State. Shri A. Datta of the Institute accordingly visited a number of towns in the State in April, 1971, and prepared a Report in May, 1971. He has suggested in the Report a number of measures to make the State Valuation Organisation effective and to enable it deal adequately with the problems encountered by it. He has also suggested amendment of the provisions of the Assam Municipal Act relating to the basis of valuation. As pointed out already, the State Government is already working on a comprehensive amendment of the Act and the suggestion of Shri Datta for incorporating in the Act a sound legal basis for valuation of property, is also under consideration of Government.

Another important point he has made is about giving a statutory basis to the Chief Valuation Officer and the Valuation Organisation. It may be stated that at present there is no provision in the Act for appointment of Chief Valuation Officer. Though an administrative order of the Government is considered sufficient for such appointment, it is certainly desirable that the Valuation Organisation has, behind it, a definite legal sanction also.

MACHINERY FOR COLLECTION

The Urban local bodies in the State suffer from lack of an effective machinery for collection, and in fact the experience is that the deficiencies in this regard affect the local body much more intensely than the inadequacies of the machinery of assessment. As already pointed out, the annual value of properties is fixed generally on the low side;

the percentage of tax on the annual value is also low in most of the towns. In half the towns the total rate of tax on annual value is below 15 per cent; in some towns it is just 3 per cent. There is no minimum rate prescribed and so, local bodies can fix a very low rate also. This low assessment of annual value and equally low rate of tax, make for very low amount of property taxes. But even this low tax is not adequately collected. In some towns the collection rate is as poor as 20 per cent of the total tax demand. Out of 24 local bodies from which figures are available, only 3 have collection rate which is above 90 per cent, 4 between 70 and 90 per cent, 8 between 50 and 70 per cent and 9 below 50 per cent. Though the Municipal Act provides for adopting coercive measures for realisation of arrear dues through attachment and sale of movable properties of the defaulters, in practice, no local body resorts to such methods. The result is large accumulation of arrears and very limited revenue of the local bodies to be able to provide even the most basic civic amenities to the people.

Out of the 33 local bodies from where figures are available, the per capita income from all sources of 13 local bodies is below Rs. 10; in 15 cases it is between Rs. 10 and Rs. 20, while only in 5 cases the figure exceeds Rs. 20. Obviously, their per capita expenditure also is small; in 15 towns it is below Rs. 10; in 15 towns it is between Rs. 10 and Rs. 20 and in 3 towns it is between Rs. 20 and Rs. 25; in no town the figure exceeds Rs. 25.

The component of tax income to

the local income of the local bodies is very small. At present the tax income of none of the local bodies is above 60 per cent of its total income. Out of 31 bodies in case of which figures are available, only in 3 towns the percentage exceeds 50; in 14 towns it is between 30 and 50, in 6 it is between 20 and 30 while in 8, it is below 20. It is generally accepted that a local body in order to have a self-supporting income base, should have a tax income which is not less than 70 per cent of its total income. The local bodies in Assam however present a picture which is very distressing indeed. If the local bodies are to improve their performance, their tax administration must be improved, the machinery for assessment and also of collection have to be strengthened.

In the urban local bodies in Assam, the Chief Executive is the Chairman of the Board or the Town Committee. There is no separate Executive Officer to assist the Chairman in his work. Naturally, the Chairman is unable to devote sufficient time and attention to the day-to-day administrative affairs of the body and not enough is done for collection of taxes as well. It has been the view of the Government that an Executive Officer to assist the Chairman, is essential and steps are being taken to appoint Executive Officer, who, it is hoped, will be able by their whole-time service, to improve the administration of the body including collection of taxes.

SOME OTHER PROBLEM

These are the main problems of property taxation in urban local bodies in Assam. In making attempts to deal with

these problems, some other difficulties which are also not less important, present themselves.

As pointed out already, the valuation of property was generally very low. It has been the experience however that it is difficult to raise the valuation substantially in any single periodical reassessment. Whenever the assessment is increased, there is strong public resistance. It is not that such resistance is without some justification. They (not all of course) were paying so long a low tax; what is it that the local body has done for them now that they should pay such steeply increased taxes? The local bodies are hardly able to provide even the basic services; many of them confine their activity to simply putting up a few street lights and occasionally sweeping the streets which are also limited in number. They are unable also to do anything more because of lack of resources. In some cases moreover, where the annual value of the property has been raised resulting in increased taxation, the local body under public pressure, reduces the percentage of tax and thus neutralising the effect of increased assessment. The net result is that the tax demand of the local body remains more or less the same or it increases by small margin only. In one local body recently, not only the annual value fixed by the Assessor has been cut down by local body to 50 per cent but the rate of tax has also been brought down simultaneously from a total of 13 per cent previously to a mere 7 per cent, the result is that the total tax demand of the local body has come down from Rs. 16,400 in

1969-70 to Rs. 7,500 in 1970-71. What is even more disheartening is that the percentage of collection of tax to total tax demand of the local body in 1970-71 is only 27.8 and in the following year, it is still lower, viz., 25.3 per cent.

Some of the local bodies are opposed to the appointment of Executive Officers; one ground for such opposition is that they will find it too expensive to bear their pay. While the appointment of an Executive Officer will certainly increase the expenditure on establishment of a local body, such an appointment will definitely go a long way in improving the standards of its administration; it will particularly help the local body in realisation of taxes and other dues. It may safely be said that in normal circumstances, the Executive Officer will bring much larger gain to the local body than what he takes from it by way of his pay and allowances.

Another remarkable feature of the local bodies in Assam is that in quite a number of smaller towns, there is hardly any scope for raising enough resources locally. These towns are not only small but they really lack in urban characteristics such as a fairly substantial commercial or business activity. Many of the houses are small and made of bamboo and thatch; people are poor and unable to contribute to the fund of the local body by way of taxes. In some places, the rural characteristics are so pronounced that it is difficult to determine the rental value of the holdings for the simple reason that no house is rented in these places.

CHARGE ON CENTRAL GOVERNMENT
PROPERTY

Another matter in which the local bodies in Assam are facing some difficulty is in regard to realisation of Service Charges for the properties owned by the Central Government. Most of the local bodies have not been able to realise such

charges. In some cases, the concerning Central Government Department has not furnished to the local body the capital value of the property; in some cases where the local bodies have preferred claims of Service Charges to the Department concerned, these have not been paid.

An Experiment in Mechanisation in the Property Tax Department of the Municipal Corporation of Delhi

IT was thought in 1964 to instal an Automatic Data Process Machine as an experimental measure for partial mechanisation of the processes of preparing bills and notices and maintenance of the accounts of the property taxes with a view to bring in greater speed, neatness, accuracy and economy in the working of the Assessment & Collection Department. With the approval of the Corporation the scheme was started in April, 1967. In 1970 its working was studied and reviewed by the O&M Unit and in the light of the findings this step had to be retraced. The object of this paper is to briefly recount the experience gained and to state the circumstances under which a decision had to be taken contrary to the general faith that mechanisation always results in efficiency in work and economy in expenditure.

CONDITIONS OF THE EXPERIMENT

For better understanding, it is necessary to first narrate two important conditions under which the scheme had to be worked. These were: (a) the Zonal set-up, and (b) the Annual billing system.

The jurisdiction of the Delhi Municipal Corporation has been divided into eight

zones with offices situated from a distance of 2 to 15 kms. from the headquarters at the Town Hall. A branch of the Assessment / Collection Department functions in each zone to deal with the assessment and collection work. The issue of bills and notices for property taxes and the maintenance of connected record including the Demand and Collection Registers is done in the zones. The daily collections have to be remitted to the Head office along with a challan for credit to municipal funds.

The amount of property taxes is payable in full in one instalment in the beginning of the year on the presentation of the bill. Failing payment within the time allowed, notices have to be issued to tax payers concerned. Thereafter the field staff has to follow up according to the prescribed procedure.

EXTENT OF MECHANISATION

Work Allotted

It was proposed to introduce mechanisation gradually. In the first year it was restricted to 82,700 demands of two zones, in the second year 20,500 demands of another Zone were added and in the

third year another 22,900 demands of another Zone were added, so that by 1969-70, a total number of 1,26,100 demands relating to four of the eight zones had been covered under the scheme.

The machines were installed at the headquarters and so the work of preparation of bills, notices and accounts in the form of Demand and Collection registers in respect of these four zones was done at the Town Hall while the work relating to assessment of taxes and payment of dues was done in the zones. About an equal number of demands in respect of the remaining four zones continued under the manual system and the entire work in regard to them continued to be done at the zones.

Machines Installed

The following machines were installed:

- (i) Main machine with a capacity to print about 6000 bills in a day and processing about 200 cards per minute
- (ii) Auxiliaries:
 - (a) Punching machine on which an operator could punch 500/600 cards in a day
 - (b) Verifying machine
 - (c) Sorter
 - (d) Collator
 - (e) Reproducer
 - (f) Tabulators

Operations Mechanised

The following operations were turned

over to the machines :

- (i) Printing of bills and notices of property taxes.
- (ii) Compilation of accounts in the form of Demand and Collection registers.

PROCEDURE OF WORK

- (i) The zones had to furnish basic data on relevant points to the machine section. This had to be done in the beginning at the time of introduction of machine and subsequently as and when the transactions took place that would affect the accounts.
- (ii) The information had to be supplied on standardised forms suitable to each type of the transaction, viz., (a) change made in the assessment of the property, (b) remission or refund of tax allowed, (c) new demand created, (d) payments received, (e) dishonoured cheques, and (f) rectification of errors.
- (iii) The machine section had to prepare a card in respect of each demand in arrears and each current/demand at the beginning of the year and subsequently for each of the transactions mentioned in the preceding clause immediately after the information was received by it.
- (iv) The cards continued to be fed into the main machine from day-to-day so that at the time of preparation of bills, notices and annual accounts, all these transactions were faithfully reflected

and bills and notices showing correct amounts were turned out automatically.

FINDINGS OF THE O&M STUDY

Mechanisation generally leads to simplification of working procedures and reduction of work, increased efficiency and speed of work and economy in working costs. So far as the A.D.P. Section is concerned the position in regard to each of these expected advantages emerged as follows:

Work Simplification

An examination of the procedure of preparing bills and notices on the A.D.P. machines as well as that of preparing them manually revealed that, as a result of mechanisation, the Bill Clerks in the A.D.P. Zones, who were responsible for furnishing the basic information necessary for the working of the A.D.P. machine, had actually been saddled with some additional work. The information which was ordinarily noted down directly from the files into the other records, such as the Demand & Collection Registers, by the Bill Clerks in the non-A.D.P. Zones, had in the case of the A.D.P. Zones, to be communicated by the Bill Clerks in about a dozen additional forms introduced specifically for the purpose which makes the process very cumbersome, time consuming and tedious. About 50 per cent of the work involved in preparing bills and notices had to be done manually or semi-manually and the machine could do only the rest about 50 per cent

Efficiency

A study of the working of the machine

had also revealed that the existing machine suffered from the following major mechanical or other defects which had decidedly acted to the detriment of its efficiency:

- (i) The existing data processing machine could simply print the bills; it could not make calculations of tax. Such calculations, where necessary, had to be got done separately on an outside computer, on payment, varying from year to year according to the volume of work to be done.
- (ii) The machine had a limited column capacity and, therefore, it could not print certain entries like 'notice fee' amount or totals beyond 'lakhs', which had to be entered in hand.
- (iii) Fluctuation of electric supply occasionally caused the machine to commit mistakes leading to faulty maintenance of accounts and or erroneous billing, resulting in considerable inconvenience to the tax-payers who had to travel all the way to the A.D.P. Section to get the necessary corrections made. It gave rise to a lot of resentment amongst the tax-payers.
- (iv) The machine did not print alphabets, it used numerical codes for description of the property, and types of dues and payments entered in the bills and notice, which were not intelligible to many people who were consequently put to considerable

difficulty in understanding the contents of the bill.

- (v) For printing of addresses on bills and notices the services of Adrema machines had to be used to supplement the work of the A.D.P. machine.
- (vi) The machine was not capable of selective processing of data and, therefore, it had to print the entire lot of data fed into it even where it was not necessary to do so. For instance, notices of Demand were printed even in case where payment had actually been received against the bill and no notices were required to be sent. This process involved avoidable loss of time and unnecessary expenditure on stationery and labour.

There were some other factors also which affected the efficiency of the A.D.P. Section.

Due to low efficiency level of the technical and semi-technical staff, all information punched on the cards by the Punch Operators and mechanically verified by the Verifiers was at first actually being put in print for a preliminary check-up before it could be finally used in preparation of the bills and notices. This process involved a lot of waste of time and effort and expenditure on stationery.

Also, due to the inefficiency of the Bill Clerks in the Zones, communication of information about payments, or other decisions in relation to reduction or increase of taxes was often delayed or

inaccurate information was sometimes communicated to the A.D.P. Section. These factors resulted in wrong posting or non-posting of credits, leading to faulty maintenance of accounts and consequent erroneous billing, again causing inconvenience and harassment to the tax payers. This had caused a lot of resentment in a large number of cases and brought a bad name to the Corporation.

Speed

The chief advantage claimed for the A.D.P. machine was the speed with which the bills and notices could be prepared and printed. The study revealed that, on an average, the work of mechanical preparation and printing of the bills and notices (including the time taken in despatch) was done in about one-fourth of the time in comparison to the time taken in the manual preparation of bills and notices (and their despatch) in the non-A.D.P. Zones. This advantage had, however, largely been offset by the complications created as a result of the rush that resulted both at the headquarters, and in the Zones. At the headquarters, in order to cope with the problem of expeditious despatch of bills and notices, additional special staff had to be deployed each year, either by employment of *ad hoc* staff or by diversion of staff from other Sections, this causing additional expenditure and dislocation of work in the depleted Sections. The despatch work, in fact, had to be regulated by holding up the issue of the printed bills in order to avoid heavy rush of payments in the Zones. The advantage of speed expected to flow from mechanisation was, therefore largely lost.

Other Weakness of Mechanisation

There were some other major weaknesses inherent in the existing system of mechanisation. Duplicate records, such as copies of Demand and Collection Registers, had to be maintained both in the A.D.P. Section as well as in the Zones, at considerable expense of labour, time and stationery, so that the Zonal Offices could refer to them and effectively answer any queries from the tax payers who visited the Zones for making payment, etc. Such duplication of record had, however, hardly helped because the Zonal Bill Clerks did not care to keep the posting up-to-date, and merely directed the property owners to refer their enquiries to the A.D.P. Section.

Mechanisation had also inevitably led to a certain degree of 're-centralisation' of the work of the A&C Department and thus acted against the spirit of administration decentralisation decided upon by the Corporation as a policy.

Economics of Mechanisation

When the scheme for mechanisation was worked out, it was anticipated that it would result in a monthly saving of about Rs. 13,000 in establishment costs. Actually, however, no such saving has materialised. On the contrary, staff costing about Rs. 98,000 (including new posts costing about Rs. 42,000) a year has had to be provided for the work of the A.D.P. Section alone.

The work relating to Rs. 1,26,100 demands was being done mechanically. In addition to 22 posts of technical and non-technical categories costing about Rs. 98,000 a year, which were being uti-

lised in the A.D.P. Section to operate the machine and to attend to other related work, 20 posts of L.D.C. Bill Clerks and 5 posts of U.D.C. had to be provided in the A.D.P. Zones for collection and transmission of basic data from the Zones and doing other work of the Bill Clerks. These posts together cost about Rs. 1,04,150 a year so that the total cost of staff engaged in mechanisation was about Rs. 2,02,150 a year. The annual hire charges of the machine came to about Rs. 91,800 a year and contingent expenniture on cost of special stationery, cards, calculation charges, maintenance of air conditioning plant, and payment of overtime allowance, etc., accounts for another Rs. 48,050. The total cost of handling about 1,26,000 mechanically, thus, came to about Rs. 3,42,000 which worked out to about Rs. 2.72 per demand.

On the other hand the work relating to about 1,29,800 demands, not handled by the A.D.P. Section was done manually by 30 L.D.C. Bill Clerks and supervised by 8 U.D.Cs. and their annual wages bill ran up to about Rs. 1,59,000. Including another Rs. 5,000 for the cost of stationery, etc., the total annual expenditure on handling about 1,30,000 demands manually came to about Rs. 1,64,000 and this worked out to about Rs. 1.26 per demand.

Comparatively speaking, therefore, the cost of handling the work relating to a single demand mechanically was twice as high as the cost of handling it manually.

CONCLUSIONS

Thus the experiment of partial mechanisation had failed to achieve any

of its objectives of efficiency, speed or economy. Further discussions with the suppliers also revealed that the existing machine did not have any spare capacity for taking over the work of any other Zone, so that, even with its current defects, its coverage could not be extended to other Zones, so as to bring about uniformity in their working. It also transpired that the hire-contract for the machine was an open contract which had enabled the suppliers to raise the rental rate from time to time as it suited them, so that the monthly rental had risen from Rs. 6,915 in 1966-67 to Rs. 7,650. It was thought to look for a more efficient and economical alternative, which would form the basis of a uniform, efficient and economical arrangement for preparation of bills and notices and maintenance of accounts in all the Zones, keeping public convenience also in view.

THE ALTERNATIVES

The nature and volume of the work required to be done strongly seemed to suggest the need for providing complete mechanisation through a computer, the installation of which could remove most of the defects and shortcomings of the existing machinery. This, however, involved a huge initial outlay or a sizable monthly expenditure on hire and maintenance of the machine, making the operations very costly unless its capacity was fully utilised by computerizing the billing and accounts work of all the Departments of the General Wing and also of the three undertakings a step which would have inevitably led to partial 'recentralisation' of the activities of all these Departments, leading in turn, to various other problems.

Another possibility could be the installation of an improved type of A.D.P. machine, free from the defects of the existing machine and capable of undertaking the work of the A&C Department in all the Zones. It was estimated that the provision of such improved machinery would involve an expenditure of about Rs. 2.5 lakh a year on hire charges, etc., in addition to costs of extra operational staff needed. This step, besides further increasing the cost of the operations will also lead to 'recentralisation' and inevitably to some inconvenience to public. Both the computerisation and improved mechanisation also accentuate the problem of 'peak periods' of work, necessitating deployment of additional staff to clear the 'rush' of work involved in despatch of bills and Notices and receipt of payments at the cash counters, thus leading to additional expenditure on special staff or dislocation of work, both at the Headquarter and in the Zones. Since neither the computer nor the improved machinery, with Hindi alphabets, was available, mechanisation, either way, would have also hampered the programme of bringing in Hindi in the Official work and thus only thwart the strongly pronounced policy of the Corporation in the matter.

The only feasible alternative to adopt was, therefore, a complete reversion to the manual process of preparing bills and notices in all the Zones, after disbanding the partially mechanised arrangements. Experience suggested that this work had by and large been handled more smoothly in the four non-ADP Zones where it was being done manually in as much as the incidence of erroneous

billing and the result of complaints were practically non-existent in those zones. Similarly, there was no dislocation of work there at that time when the bills and notices were despatched or the payments start coming in because the

despatch of bills and notices was smoothly staggered over a period and the existing staff could cope with the day-to-day work, without needing such additional assistance.

Property Tax Administration in Greater Bombay*

A TAXPAYER is yet to be born who will pay a tax on a due date and with a smiling face. Innumerable have been, of course, born to delay the payment of tax, if not possible, to evade it altogether. This tendency of the society at large has a great impact on the Tax Administration. With this perspective in view, one has to think of the Tax Administrator before one inflicts any criticism on him.

The Committee of Ministers in their report on "Augmentation of financial resources of urban local bodies" have come to the conclusion that the collection of the Municipal tax in Maharashtra is about 56 per cent of the demand. Municipal Corporation of Bombay is in a much happy position so far as this aspect is concerned.

TAXES LEVIED BY THE BOMBAY MUNICIPAL CORPORATION

The Municipal Corporation of Greater Bombay levies four taxes, viz., (1) Property taxes, (2) a tax on vehicles and animals, (3) a theater tax, (4) Octroi.

The main source of revenue is the property taxes. These comprise of General

Tax with Fire Tax, Halalkhor Tax, Water Tax, Municipal Education Cess, State Education Cess. The aggregate percentage of the property taxes is $37\frac{3}{4}$ per cent of the ratable value. On the residential properties erected up to 30th Sept. 1969 the owners are now required to pay 10 per cent of the ratable value as the Repairs Cess levied by the Government of Maharashtra under the Bombay Building Repairs and Reconstruction Board Act of 1969. The percentage of the property taxes can still be increased by $3\frac{1}{2}$ per cent (2 per cent in General Tax and $1\frac{1}{2}$ per cent in Halalkhor Tax) if we reach the ceiling fixed in the Act.

Further Tapping of this Source

The sources of the Municipal Corporation are already prescribed in the Municipal Act. The ceilings are also fixed. We have almost reached the ceiling limits of the property taxes. The incidence of the Municipal taxes in Greater Bombay is the highest in India as a result of which the paying capacity of the ratepayers is overstrained. Any increase in the rate of property taxes is now likely to prove the last straw on the camel's back. Every year hundreds of properties are being attached

*Prepared by the Assessment and Collection Department, Municipal Corporation of Greater Bombay.

in Bombay and quite a large number of them is being auctioned. This goes to show that the owners of properties in Bombay are unable to bear the burden of the tax. The tax collection is becoming increasingly difficult in these days of progressive taxation at all levels and is posing a serious problem. There is, therefore, no scope of tapping this source any further. Our only hope of increase in the property taxes is dependent on the additions, alterations and new constructions.

Judicial Deceisions

Property taxes are levied at certain percentages on the ratable value. The ratable value is defined as the annual rent at which a land or building might reasonably be expected to let from year to year less 10 per cent of it, for repairs or on any other account whatsoever. The structure of ratable value was till recently, based largely on the hypothesis. Due to the Rent Control Acts and the judicial pronouncements of the Supreme Court, the recognised legal basis for determining the ratable value is the standard rent of the property as defined in the Rent Restriction Acts. This has deprived the local bodies of the potentialities of the property taxes. Really, speaking, a funny situation has arisen where the tenants reap the benefit when tenements change hands. They sublet the portions in their possession and get abnormal returns. They even surrender their accommodation to the prospective new tenants on the consideration of pagris. They sometimes allow the owners to have a slice in the pudding. Thus the rent remains the same, so also the tax. The only outcome is that the local body is deprived of its legitimate revenue. Newly

constructed premises are sold on ownership basis by the builders at fabulous prices. The owners usually give them on lease and licence basis. There is hardly tenancy anywhere. The lease and licence agreements are so cleverly drafted as to baffle the assessing authority at the time of estimating the rent for assessment purpose. The actual occupier who pays exorbitant compensation is many times shown as a sub-tenant in order to deprive the Corporation of its lawful revenue. If this malpractice is to be put an end to, a suitable provision will have to be made in the law to enable the local bodies to have periodical revision of the ratable values in view of the rising value of occupation.

Difficulties in Recovery

(1) After the service of the demand notice, if the taxes are not paid within 15 days, a warrant of distress can be executed. But if the goods of the defaulter are not found worth selling the properties are attached and auctioned. If any property is heavily encumbered, no bidders come forward and the auction sale has to be postponed. In such an event, the last resort is to get a Court Receiver appointed by the High Court. The result is that the taxes remain outstanding for years. If a property is knocked down in an auction, the owner may bring an injunction and delay the process of recovery. He may even bring an injunction just before the auction sale. Some owners are granted repeated injunctions by the Courts. This is high time the Courts should now be little less liberal in granting injunctions against Municipal recovery processes. The Municipal tax is not an ordinary money

owed by A to B. It is a local tax which must be recovered in time if a local body is to function. Sometime back the Bombay City civil Court used to grant instalments disproportionate to the arrears, thwarting the whole endeavour of the Corporation in the direction of recovery. The Bombay High Court has now advised the Bombay City Civil Court that it is outside the jurisdiction of the Court to grant instalments of local taxes.

(2) The recovery of taxes from the hutment-dwellers is a big problem. These hutments are unauthorised. They are either on Government or Municipal land. The action of distress is not possible. Since the land belongs to the Government or the Municipality, the action of attachment and sale is also not feasible. There is no suitable law to deal with this problem. These hutments crop up like mushrooms and everybody in power seems to have come to his wits end to stop the growth of these hutments. The citizens of these hutments enjoy almost all the civic amenities without paying any tax. This is really a socio-economic problem and the local body alone cannot solve it.

(3) In order to delay the payment of taxes a tendency is slowly growing of filing appeals in Court against the ratable values. This sort of trend can be effectively curbed if the litigants are compelled to deposit the arrears of taxes at the very time of admission of appeals and during the pendency of the appeals at least 75 per cent of the taxes that subsequently become due. This envisages suitable amendment of the local laws.

(4) There is no provision in the

Bombay Municipal Corporation Act for charging interest on the arrears unlike the Maharashtra Municipalities Act of 1965. There is, of course, a provision of levying 20 per cent penalty. But as the penalty can be levied once on the arrears at a given time, it is likely that even after paying penalty, some shrewd ratepayers can even earn sizable interest by keeping the taxes unpaid for sometime.

(5) Due to red tapism taxes due from the Government Departments are not recovered in time as a result of which the Corporation loses interest and the arrears mount up giving scope for criticism.

(6) There is only one solitary Section in the Bombay Municipal Corporation Act which lays down as to how a ratable value is to be fixed. There are no rules. As the Rating Law is yet to develop in our country even our Courts find it difficult to decide the rating cases. It is now necessary to have some enactments on the subject of rating to deal successfully with the intricate rating problems that now crop up day by day. In England there are several such enactments.

(7) In some local bodies, especially the smaller ones, there is a lot of interference from the elected representatives, with power of political wire pulling behind it. Fortunately, the Municipal Corporation of Greater Bombay does not in any way empower the deliberative wing to interfere in the executive wing. Wherever there is such an interference the tax administration is bound to suffer.

Tax Arrears

The Tax Administration of local bodies is very frequently subjected to severe

criticism from all quarters for their arrears of taxes. Even the tax evaders vie with each other in this campaign of vilification. The taxes remain outstanding due to many reasons. If we analyse them the break-up is as under:

- (1) Tax due from Government and Dy. Custodian of Evacuee Properties.
- (2) Tax due from other semi-Government bodies such as Railways and Port Trust.
- (3) Tax recoverable from the Court Receiver and Official Assignee.
- (4) Tax involved in Suits, Injunctions and appeals against ratable values.
- (5) Tax on properties under attachment.
- (6) Tax on properties the ratable values of which are disputed.
- (7) Tax on unauthorised structures.
- (8) Disputed taxes.
- (9) Tax in bills issued at the fag end of the year.

The property tax bills are issued in advance. Naturally the tendency of the ratepayers is to pay them after receipt of rents from the properties. Due to this about 30 per cent of the tax remains outstanding at the end of the period but the same is recovered in the beginning of the subsequent period. One need not be panicky about it. Arrears of taxes is a continuous process of liquidation of arrears and subsequent taxes going into arrears due to several reasons. A critic should understand that the same arrears do not remain outstanding permanently. The

bright side of the issue is that the arrears is the potential capacity of the local body just as its borrowing capacity is. The arrears alarm a layman and he immediately suggests coercive measures to liquidate them. This has an adverse effect. The campaign ends in more Court cases and increase in locked up balances. This is a rope walk and the revenue officer who knows how to balance well succeeds. The object should not be to squeeze the rate payers. What does one get by cutting the hen that lays golden eggs?

Success in collection of taxes depends on several factors, namely, (1) collecting machinery, (2) legal authority and powers for enforcing recoveries, (3) Incidence of taxes levied, (4) Appellate authority, (5) quick settlement of disputes, (6) Periodical check and supervision from higher officers, (7) Cooperation from the ratepayers, (8) Non-interference from the deliberative wing, (9) Satisfaction of the legitimate demands and needs of the revenue staff.

Some special measures to tackle this problem are worth mentioning. (1) Provision in the law for automatic penalties in case of defaults, (2) Punishment or imprisonment for evasion, (3) Confiscation of property for non-payment beyond a certain time limit, (4) Special Courts. The taxes remain locked up for years due to the inordinately late disposal of rating appeals by the Courts. Suits against taxes also remain pending for years. It is high time that special Courts are set up to deal speedily with the Municipal cases. (5) Speedy amendments to the local Acts. Whenever we think of improving the tax administration, we ultimately come to the conclusion of

amendment to the Act. We propose them when needs arise. However, the Government is reluctant to amend the Act in a piecemeal manner. Amendments proposed to the Municipal Corporation of Greater Bombay as far back as 1963 are still pending legislation. Recently the Government of Maharashtra have informed the Corporation that all the amendments will be taken into account at the time of the general revision of the Municipal Corporation Acts in the State of Maharashtra. This is just like telling a starving person to wait till all others of his category come in a congregation.

All functions in a revenue Department are collection oriented. Therefore, any step that is likely to adversely affect the collection machinery should never be taken. In the name of reforms sometimes wrong steps are taken with the result that the process of tax arrears is accelerated. The accounting system in a revenue Department is of a vital importance. Frequent experiments in its working lead to disastrous consequences.

Cost of Collection

This aspect is very significant. If the cost collection is disproportionate to the actual collection, the local body will not get sufficient finances to cover the amenities to be provided to the citizens. In Bombay the cost of collection is hardly 3 per cent of the actual collection per annum. Still we are not free from the criticism that the Assessment and Collection Department is over-staffed. It is customary to say that; Can anybody abolish a custom easily?

CONCLUSION

For the wellbeing of a tax administration the citizens are to be first educated to inculcate the civic sense before they make any agitation against the local levies. It is more necessary that the deliberative wing should be co-operative without any reservation with the executive side. If there is no interference from any quarter and if the ever changing chief executives honour the consistency and continuity of the practices and procedures prevailing in a revenue Department, one can safely anticipate better results.

As regards mechanisation and data processing in the Bombay Municipal Corporation, the position is as under.

This Corporation have obtained on hire from I.C.L. the following machines on a trial basis :

<i>Nature of Machine</i>	<i>Type</i>	<i>Nos.</i>
Programme Board		
Punches	069	5
Programme Board		
Verifiers	169	4
Sorter	309	1
Collator	365	1
Reproducer	203	1
Tabulator	903	1

The machines have been recently installed and the work of Wheel Tax Accounting has been taken in hand from November 1971. There were about 5 lakhs bills outstanding as on March 31, 1971, about 4 lakhs bills have been issued in the year 1971-72 and about 3.50 to 4 lakhs bills have been recovered during the year

ending March 31, 1972. Up to now the work of maintenance of Wheel Tax account was done manually and it took about a year to reconcile and close the accounts in spite of granting overtime of a substantial amount to the staff concerned. As the mechanised accounting is still in an experimental stage it would be premature to assess precisely the advantages and utility thereof. It is, however, expected that the closing of accounts for the first year, *i.e.*, 1971-72 would be completed by 31 August 1972, as the initial load is heavy, and by 31st

May in the subsequent years.

On the basis of experience gained, we desire to extend the mechanised accounting to preparation of Water charges bills and Property Tax bills, and account relating to these bills, as also to the accounting work relating to other Departments, within next 4/5 years. Obviously, the services rendered by these machines will not be adequate for the purpose and we may go in for additional machines of this type or, if necessary, a computer.



New Viewpoints for Property Tax Studies*

THERE is a general feeling that property tax administration in the municipal governments is in a very bad shape in the Calcutta region and the tax is neither optimally assessed nor efficiently collected. As a testimony one may refer to the situation as described in the extract below:

... taxes are poorly assessed and poorly collected¹.

... It is also generally accepted that assessments are unreasonably low and that assessment procedures are ineffectively administered². . . It should be pointed out also that tax administration in the municipal bodies of the CMD has many obvious shortcomings, and is discriminatory in effect. Current delinquency in the collection of property taxes—the principal tax source—ranges from 10 per cent to an extreme, exceeding 70 per cent. Calcutta Corporation collected 73 per cent of current property tax demand in 1960-1961

(that is, the delinquency rate was 27 per cent), and nine out of the suburban municipalities had collection rates of less than 60 per cent³.

The overall understating about these issues all over the country has remained more or less at this level with remedial suggestions like change of the basis of taxation from annual value to capital value, adoption of centralised (State-level) assessment in replacement of municipal assessment, de-linking of controlled rent from computation of annual value, imposition of occupier's surcharge on sub-leased properties, replacement of rental basis of assessment by square fit area of the holding, collection of arrears by executive order, rigorous application of penal measures for non-payment of property tax, etc. But a deeper look into these reveals that the analyses are very often superficial bordering or impressionistic observations; the suggestions are rather catchwords without systematic studies on subjects after

*The author gratefully acknowledges the kind cooperation and active help of Shri A.K. Roy, Deputy Commissioner and Sri R.N. Chatterji, Deputy Assessor of Calcutta Corporation in writing this paper. The views expressed are, of course, entirely those of the author.

¹Basic Development Plan for the Calcutta Metropolitan District 1966-86, Calcutta Metropolitan Planning Organisation, Government of West Bengal, December, 1966, p. 36

²*Ibid.*, p. 38

³*Ibid.*, pp. 37-38.

exploring alternatives and their costs. As a result these suggestions remain as prescriptions without diagnoses on hit or miss techniques. In fact, the underassessment of properties, inefficiency in collection and mounting arrears are too broad phenomena to permit adoption of appropriate corrective measure. Policy changes in property tax administration should be backed by in-depth studies undertaken to know these in meaningful details. Unless such guard is taken, unanticipated consequences would crop up to make the system dysfunctional and render it less amenable to changes in the right direction in future.

To ensure such a situation of systematic thinking in the decision-making channel, it is imperative to see that any study of property tax, like any other systematic study, is made in the following format:

- (a) Statement of goals and objectives;
- (b) evaluation of the existing system to identify the nature and degree of discrepancy of the derived results from stated goals and objectives;
- (c) exploring alternatives and their costs for reaching the stated goals and objectives to help decision-making of the desired course of action; and
- (d) a feed-back for setting newer goals and objectives.

But unfortunately, most of the current evaluative studies in respect of the role

of property tax, its assessment and collection suffer from such basic shortcomings of incomprehensive thinking, pre-judged conclusions and conceptual error that the environment hinders systematic studies in these fields. The purpose of this note is to take an insight of some of these views and to emphasize the importance of problem—or objective-oriented systematic studies in property tax administration. It is time now to recognise that the environs of administration of property tax vary from State to State and from municipality to municipality; objective-oriented property tax studies should also be encouraged from micro fields to help improve property tax administration in individual units and thus throw light for general consideration at higher levels of research concerning still broader issues in property tax administration. A purposeful research relationship should be evolved by simultaneous flourishing of property tax research at Municipal, State and National level to help guide the property tax administration. This means re-allocation of emphasis on research in the field within these three tiers, in replacement of the present practice of studies for the basic structure and function of the tax.

II

There seems to exist wide differences about what and how much we want to derive from the property tax. One such view is that urban development should be financed by property tax.⁴ But it is not at all possible and nor it appears to be desirable in our existing system of

⁴ I.R. Khurana, "Municipal Property Taxation and Urban Development", *Nagarlok* Vol. IV, No. 1, 1972, New Delhi, pp. 5-9

devolution of fiscal resources at the State and National level. To give analogy: Is rural development financed by land revenue alone? Is State development financed by State resources alone? The answer is obvious. Our financial system is based on concentration of relatively more fiscal powers at higher echelons of government and distribution of surplus revenue by way of shared taxes and grants to lower levels of government. The role of any tax, need not, therefore, be defined in an isolated way. The focusing of such issues should be attempted only in the appropriate context of Federal and State fiscal policies in urban development.

It is also a very common observation that property tax revenue is increasing far less proportionately than land price in urban areas; accordingly, a plea is made for substantial increase in this tax to finance urban development. But if we look into the matter deeply it reveals other practical aspects also that are no less important. Soaring land price in urban areas is a scarcity price and unless it is realised in actual transaction the taxable income does not necessarily increase. Moreover, the cost of urban services is not also increasing in the same proportion as the price of urban land. The fundamental difficulty in this sort of an approach to urban finance and development is that such general observations are not detailed out to evolve actionable policies in unit municipal areas. The incidence of property tax is not same in all municipal towns. Hence no one urban area is comparable to another in such matters. For example, Bombay and Calcutta are somewhat similar from the point of view of soaring land price. But

the incidence of property tax is much higher in Bombay than in Calcutta. Hence speaking from an all-India point of view, there should not be any lamentation for failure to tap unearned increment in Bombay until the Calcutta tax incidence is raised substantially both by eliminating progression and by increasing the per capita assessed valuation. But can these two things happen right now in Calcutta? Or can Bombay wait till that period? It is important to realise two basic realities about governmental decision-making premises:

(a) it has always got a past to refer; and

(b) it moves in an incremental way. Hence to improve the state of urban finance in any particular area general statements do not help much. What is necessary is to initiate specific objective-oriented studies in a given urban government so that workable policies can be initiated from that. Obviously, these taxable gaps are more known to the personnel of the city governments and they may be given some financial help and technical guidance to initiate such studies. It is only after this sort of agency planning that newer lines of realistic thinking may crop up at the State and Central levels.

III

The existing basis of valuation is the annual rental value of the holding. It is done by the assessment staff of the Corporation. It is alleged that this practice is by itself a source of underassessment and should be replaced by either or both of capital value assessment and central

valuation by the State Government with the arguments that capital value assessment exists in the USA and central valuation exists in the U.K. Apparently, the former is no argument but wishful thinking because there is no reason to believe that facts for valuation on capital value basis are relatively more readily available and acceptable. Regarding the latter, the most crucial point in this problem of general underassessment is that the allegation of overall underassessment presupposes a norm which is rather technically amorphous in our context. Hence the suggested solutions also drift from one school to another. The primary task here is to establish a norm that should act as the goal in matters of assessment. But do we have clear values in setting this norm? The consensus of opinion in fixation of this norm seems to be neither 'actual rent like the controlled rent nor hypothetical standard rent like that used by the assessors when there is no access to acceptable records of actual high rent. Most of the authors seem to prefer a norm of varying standard to use the maximum—available or practicable—rent for computation of annual value. It is also admitted by many authors that actual rent is in most cases difficult to ascertain & that the nature of rents being contractual, it cannot be as high as land prices are.⁵ If this is to be accepted then, the real problem in assessment is to evolve a mechanism to decrease the uncertainty in knowing the actual rent. Our failure lies in not making any suggestion here and in repeating the oft-quoted tradi-

tional solution that permanent and politically independent assessment agencies must be created by the States which would be responsible for the assessment at the local level.⁶ In other words, this is nothing but the plea for central valuation machinery which is the traditional prescription without diagnosis. Strangely enough, it is considered as a panacea without a cost-benefit analysis in a given situation. Three points in this connection may be raised for primary consideration. First, is there any reason to assume that central valuation machinery will be more capable to dig out actual rent or to fix a rent higher than the controlled rent? Is there any guarantee that State government officials will be less susceptible to personal influence than local government officials? Is there any systematic study that proves such hypothesis? Is there any comparative study to show the degree of personal influence in matters of assessment in property tax, sales tax, land revenue/agricultural income tax, income tax, customs duty, excise duty etc.,? There is no *a priori* reason to believe that central valuation of properties can improve upon the technical aspect of valuation unless there is a motivation. Hence the point for investigation and study is how to initiate a new motivation in assessment of urban properties. Can such motivation not be given in a present system? Secondly, central valuation machinery may bring forth far-fetched difficulties in municipal administration. For example, what will be the authority for revision of assessment?

⁵ I.R. Khurana, *op. cit.*, p. 6

⁶ *Ibid.* p. 7

Will this not face organised ratepayers' opposition when assessments are increased at high rates? Huge number of litigations may also arise and all these may put a brake to municipal administration. Thirdly, the recommendation seems to be unrealistic from the point of view of politics of planning. If this power is taken away the municipal authority will be short of a real activity. This may create some difficulties. For example, the municipalities may not support this as they lose an important power. Again, if central valuation comes, the municipalities may not be infused with due amount of responsibility. Instead, if that (feasible) high valuation is attained in the direct bargaining process between the municipal authority and the rate payers by imparting the motivation, the level of services can be expected to improve by mutual checks and balances. This may not be the result in case of central valuation. Moreover, the cost element should be brought into the picture because, in the ultimate analysis, it is the same public fisc that meets all these expenses. In short, central valuation is politically undesirable and practically not sure of technical improvements. On the other hand, if the desired high valuation is administered directly by the municipal authority, the level of civic efficiency can be expected to increase to a great extent because the rate-payers will maintain vigilance to get better services. Central valuation will make local governments weaker without any guarantee for reduction of technical defects in assessments and with possibility of organised rate payers' opposition in case it resorts to more than incremental re-valuation. It is necessary now to accept the fact that since local govern-

ments are destined to stay with us nothing should be done that may weaken the image of the institution.

IV

Any scientific approach to fixation of a norm for measuring underassessment will require a statement of the goals and objectives that one would like to achieve from property tax assessment and its rates. Obviously, the 'goal-setter' will have to take sufficient care so that these goals do not cut across other accepted goals in parallel functions and institutions as well as higher level goals adopted by the State and Union governments. While searching for parallel goals in a specific situation like Calcutta, one would come across some conflicting situations. It is seen that Bombay has almost doubled its per capita assessment coupled with a flat rate of property tax at 37 per cent. Madras has a progressive holding rate but flat service rates and Calcutta has a progressive consolidated rate ranging from 15 per cent to 33 per cent. What will appear still more puzzling is that such a graduated rate of property tax is not prevalent even in other municipalities in West Bengal. So, apparently, the assessment in Calcutta is less effective on counts of base and rate in lower valuation holdings in Bombay and on counts of rate in the neighbouring urban centres in its own metropolis. Has one ever examined its implications in value terms on objectives of property tax assessment?

This leads us to another dimension of the problem of selection of norm for measuring underassessment. If put straight, the issue is like this. Should we take annual value as the norm or money

value of municipal services rendered to the inhabitants of the holding? Do we not argue that property tax assessments are not effective enough to meet the rising costs of municipal services? Is this disparity between service cost and tax contribution of equal intensity in different assessment brackets? Are assessment brackets undistorted reflections of paying capacities of the people who live in these?

A look into the figures in Table I elucidates these questions in the context of the Calcutta situation. It reveals that 81 per cent of the holdings account for 33 per cent of assessed valuation and 24 per cent tax demand. Similarly, 95 per cent of the holdings account for 57 per cent of assessed valuation and 46 per cent of tax demand. Viewing from the reverse side of the table, 2.8 per cent of the holdings account for 24.4 per cent of tax assessed valuation and 31.5 per cent of tax demand. Apparently, these indicate that there is underassessment in the lower

slabs and overassessment in the higher on counts of municipal services rendered assuming even distribution of municipal service lines. Do we really value this system and this degree of subsidy for municipal services to the low valuation holdings? Why is it not then spread to other urban centres in the metropolis of Calcutta? What is the value preference of the different States on the subject? What is the policy directive of the Union government on the matter?

V

The practice of underassessment is more or less an accepted proposition in municipal towns and cities. And where is it not? The degree of variation from one city to another it sometimes talked about here and there. While this is only indicative and not conclusive in a comparative analysis unless other variables of Municipal-State relations are brought, what is often missed is the possible

Table 1
Distribution of Holdings, Assessed Valuation and Tax Demand Amidst Valuation Slabs in Calcutta Corporation
1966-1967.

<i>Valuation</i>	<i>Slab</i>	<i>Tax Rate</i>	<i>No. of premises</i>	<i>Percent-age distribution</i>	<i>Annual valuation (Rs. in crore)</i>	<i>Percent-age distribution.</i>	<i>Tax demand (Rs. in crore)</i>	<i>Percent-age distribution</i>
Below 1,000		15%	48,203	51.7	3.80	13.5	0.59	8.8
1000-3,000		18%	27,399	29.4	5.47	19.4	1.01	15.2
3000-12,000		23%	13,088	14.0	6.73	23.9	1.51	22.6
12000-15,000		30%	1,932	2.1	5.30	18.8	4.46	21.9
15000-and above		33%	2,641	2.8	6.90	24.4	2.10	31.5
Total			93,263	100.0	28.20	100.0	6.67	100.0

diversity in the intensity of underassessment of the varied classes of holdings in any city under the given norm of annual value. The assessment procedure as enshrined in the Calcutta Municipal Act, 1951 and as practised with the conventions since olden days has generated distinctively different types and degrees of under-valuation of different categories of holdings numbering some one lakh in the city. To specify some of these categories one may mention rent-controlled premises, sub-lease (clandestine) premises, owner-occupied houses, company-lease houses, improvements-made houses, new houses, salami-paid shops, refugee colonies, Port properties (own), Port properties (leased out), apartment houses, Central Government properties, State Government properties etc. etc. The assessment administration in each of these categories is on dissimilar footing with the other having its own valuation gap. Any recommendation for policy changes in assessment should be in a position to show the linkages of its effects on each to the stated objective. But here the revenue objective has so much obsessed our mind that we forget the other premises in the society in setting goals and objectives and consequently in fixing desirable norms. One often becomes so circumscribed with revenue-hunting spirit that he fails to see how a suggestion to meet revenue objective in one type of underassessment may cut across other values for other categories of holdings. The fact of high land prices in big cities has made us so interested about capital value system or site value rating that we seldom see the total difference in the net worth of holdings whose (high) money values have been realised by way of actual transaction or

rent-fixation and whose (high) money values have still remained imputed. Similarly, one never sees that the cost of municipal services is not rising in the same (high) rate as the price of land in the big cities. Hence, there is no *a priori* reason to consider this soaring land price as the only target of municipal taxation. Without entering into the question of economic justification of these targets, it can be said that attention need not be kept concentrated on these apparently unachievable alone. It is one thing to talk of a change in the system. But it is completely another thing, and in no way less important, to investigate into the possible diversity in the intensity of underassessment of the varied classes of holdings under the given system. But unfortunately, systematic studies are seldom undertaken on the latter aspect of relative under-(and even over-)assessment amidst different categories of holdings in a city with active support of the municipal staff who have developed years of in-service expertise on the matter. It is only in this way that selective remedies for tapping gaps in different categories of holdings will crop up. All these findings can then be collated and analysed to bring forth suitable structural changes in the assessment administration. A fundamental truth of supreme importance in this context is that valuation of holdings is an indirect measure of both the capacity to pay of the people as well as the benefits rendered to them by services. Hence there arises the need of new viewpoints. The central point is to ascertain for each urban unit whether there is both technical and political scope for increases in assessment. Obviously, it is a relative matter and each municipal authority is

expected to size up its own situation best. What is needed here is a vigilant and businessminded State Government Department of Municipal Administration who can initiate problem-oriented research in its different constituent municipal governments so as to evolve workable measures from these studies. Obviously, the task will have to be undertaken in the context of municipal development plan. The Central government may come forward to activate the concerned Departments of the different State Governments in these works with money on the one hand and progress chart on the other.

VI

Another vital field of incomprehensive study of property tax concerns collection efficiency. In the traditional practice collection efficiency of any municipality is measured with three indices: current collection efficiency, arrear collection efficiency and total collection efficiency. In each of these cases respective collection figures in any year are expressed as percentages of the respective demand figures. Based on these, the respective delinquency rates are also deduced as shown in the earlier citation from the Basic Development Plan. It is felt that while such calculation of partial indices with current and arrear figures is useful in a limited sense, the index for total collection, the most crucial index to adjudge total efficiency, is misleading and should not be used to give a dynamic picture like suggesting that collection is only two-thirds of the tax⁷.

Before going into the nature of this

misconception in the the study of collection efficiency it may be useful to describe briefly at the beginning the traditional method used to measure inefficiency in collection of property tax. Table 2 is a hypothetical example with key statistics regarding property tax demand, collection, etc., as relevant for a typical municipal government in a particular year.

Table 2

	Rs.
1. Arrear demand	4,000
2. Current demand	6,000
3. Total demand (1+2)	10,000
4. Arrear remission	200
5. Current remission	300
6. Total remission (4+5)	500
7. Net Demand (3-6)	9,500
8. Arrear collection	2,000
9. Current collection	4,000
10. Total collection (8+9)	6,000
11. Arrear at the close of year (7-10)	3,500
12. Collection efficiency (10 as per cent of 7)	63.2%

In this example, total collection efficiency of this hypothetical municipality will be considered as 63.2 per cent by the followers of the traditional method. As a corollary it will be stated that the delinquency rate (inefficiency) is 36.8 per cent. But this is wrong because it adds up wrongly on the demand side the stock concept (current demands) with the rolling concept (arrear demands) which are not addable. It is not possible to take a mechanistic view about the potential demand in a unit year by adding up the current demand and arrear demand. The arrears demand and arrears at the close of the year are

⁷*Op. cit.*, p.7

comparable to, in accounting terms, opening balance and closing balance respectively. Just as both closing and opening balance are considered in financial accounting of any firm similarly both arrears demand and closing arrears will have to be taken into consideration in any analysis of collection efficiency in a particular year. Alternatively, no arrears should be considered in the computation of potential revenue in a unit year.

A comment on the revenue potential from property tax in a unit year may be useful at this stage. Following the conventional practice one would be adding up here with the current demand also the arrears at the close of the preceding year. This is true in a static sense. But as time is not static this again is a distorted step in assessing revenue potential so far as the temporal unit of analysis is one year. The potential tax demand for this year, and for that matter for any individual year, is only the (theoretical) current demand relevant for the year. The arrears demand is nothing but the uncollected current demands of different years in the past and cannot be added today unless deducted in the past. Otherwise, there will be duplication in calculation of potential revenue.

What then is potential revenue for a unit year for the purpose of analysis? The point may be better explained with the help of an example about a hypothetical municipality of (say) ten years' old. What was total potential revenue of this municipality till the current year? It is simply the grand total of the current demands in these ten years. What was the total revenue collected by the municipi-

ality till the current year? It is simply the grand total of ten years' total collection comprising of both current collection and arrears (past years' current) collection in each year. Now what is true of a group of years is also true of a unit year. Hence the potential revenue and actual collection in a unit year are simply the current demand and total collection respectively. To illustrate with respect to the hypothetical municipality referred to above if the total of current demand for these ten years is (say) Rs. 10,000 and total tax collection in this period including obviously arrears in different years is (say) Rs. 9,500 then the average annual collection efficiency is 95 per cent, even though there remains outstanding at the end of the 10th year an amount of Rs. 500. In the example given in Table 2 neglecting remission here, collection efficiency is one hundred per cent though there remains, at the close of the year, an outstanding amount of Rs. 3,500.

The matter may be illustrated in the context of Calcutta Corporation by taking a static view of potential demand which comprises of arrear demand (*i.e.*) all unsettled bills in the past) along with current demand (*i.e.* preliminary, fresh & supplementary bills issued after settlements of disputes). For example, the budget estimates for property tax demand in Calcutta Corporation in 1973-74 show the picture as follows:

Table 3

	Rs. in crores.
1. Arrear demand...	8.43
2. Preliminary demand	10.35
3. Fresh & supplementary demand	1.20
Total :	19.78

It was further estimated that the arrears at the close of the year would be Rs. 9.08 crores. The most crucial point for record is that Rs. 8.43 crores and Rs. 9.08 crores are not separate entities as potential demands for both 1973-74 and 1974-75 and so forth. If we take dynamic view, which is necessary because time is not static, then it will be seen that the uncollected bills, which appeared originally as current demand in earlier years, rolls on from year to year as arrear and one bill cannot be potential demand for more than one year. A look into the working of the Collection Department of the Corporation of Calcutta reveals that "potential" demand in unit years in the

time-path has got to be determined in a new method after careful consideration of the relevancy of the different components of demand like arrear demand, preliminary demand, fresh & supplementary demand, transfer to assessor, transfer to law, transfer to revenue officer etc. A preliminary study of collection efficiency in unit years in this light of realistic potential demand of Calcutta Corporation shows in Table 4 that the efficiency of collection on "net demand" ranged from 90 per cent in 1958-59 to 87 per cent in 1969-70 with the peak as 101 per cent in 1961-62. This new view point attempts to measure total collection efficiency in a comprehensive way. The measure

Table 4
Annual Collection Efficiency of Property Tax in the
Calcutta Corporation

(Rs. in crores)

Year	Preliminary Demand	Fresh and Supplementary Demand	Total Demand	Transfers	Net Demand	Collection	Percentage of collection net Demand
1958-59	4.38	0.99	5.37	0.63	4.74	4.26	89.8
1959-60	4.51	0.52	5.03	0.52	4.51	4.20	93.2
1960-61	4.66	0.57	5.23	0.44	4.79	4.47	93.2
1961-62	4.84	0.95	5.79	0.89	4.90	4.96	101.1
1962-63	5.09	0.96	6.05	0.72	5.33	5.00	93.9
1963-64	5.35	0.74	6.09	0.94	5.15	5.12	99.5
1964-65	5.56	0.89	6.45	0.97	5.48	5.46	99.7
1965-66	5.78	0.95	6.73	1.16	5.57	5.51	98.9
1966-67	4.66	3.29	7.95	1.68	6.27	5.44	86.6
1967-68	7.20	1.31	8.51	1.61	6.90	6.87	99.5
1968-69	7.52	1.35	8.87	1.81	7.06	6.77	95.8
1969-70	7.97	1.32	9.29	1.24	8.05	7.03	87.2

Data Source: Collection Department, Corporation of Calcutta.

Note : (a) Preliminary A/C's for 1967-68, 1968-69 and 1969-70.

(b) Transfers refer to transfer of bills to the departments of assessment, law and revenue for settlement.

(c) Collection refers to adjustments and rebates also.

(d) All figures refer to the city proper.

of annual potential demand, as used here, has, no doubt, scope for improvements. But the changed picture of the results found warrants due attention.

Similarly, the arrear at the end of any one year does not by itself prove that it is the result of inefficient tax administration in that year but that it is the uncollected amount accumulated through the last twelve years (as per the Limitation Act 1963) preceding the year under reference. Nor does it also prove that this amount of revenue is lost. The arrear demand is nothing but the uncollected current demands of different years in the past. Arrears arise because all current demand bills that are claimed in a year cannot be settled with the rate payers during the year by way of collection or other statutory devices because of various statutory, administrative and politico-economic reasons. For example, the arrear of Rs. 8.40 crores in the budget estimates in Calcutta in 1973-74 has been shown to have the following break-ups.

Table 5

Rs. in crores

1. 4th quarter bills of 1972-73 returned from counter.	1.20
2. Supplementary and fresh bills	2.23
3. Assessment disputes	0.90
4. Refund	0.40
5. Law Department cases	0.50
6. Certificate cases	0.40
7. Governments dues	0.80
7. Arrear realisable bills	2.00
Total :	8.43

The above classification indicates that some arrears are bound to occur even in a practically ideal situation as shown in item 1 where the last quarter bills remain payable in the counter upto the fifteenth day of February as per section 191 of the Municipal Act. The reasons for generation and piling up of arrears under each class (and sub-class) needed to be examined towards the light of adoption of appropriate remedial measures to reduce arrears.

It is however, a fact, and as shown earlier also, that arrears are increasing year by year. As such arrears will go on increasing also unless administration is geared to stop it. But this objective cannot be fulfilled unless prescriptive measures follow actual diagnosis. To a beginner, a student's approach to Chapter XVII of the Calcutta Municipal Act concerning recovery of the property tax demand will create the impression that there is hardly any scope for generation of sizable arrear by virtue of the provisions like rebate for timely payment as per Section 235(4), fee and fine and for delayed payment as per Section 236, issue of distress warrant as per Section 237 and execution of the warrant in various methods including sale of movable properties. In spite of all these arrears generate and they are mounting up too. All these reveal the importance of further systematic study of the occurrence and growth of arrear to replace impressionistic observations on the subject by workable concrete courses of action to initiate improvement in municipal tax administration in future*.

*The article uses citations from two places as examples only, but without any prejudice to them.

Book Review

LAND AND PROPERTY TAXATION—WORLD EXPERIENCE (NARRATED TAXATION OF URBAN LAND AND BUILDINGS) by B. NANJUNDAIYA, Planning Commission, Perspective Planning Division, December 1970, p. 77.

The issue of land and property taxation for local governments has engaged the minds of many economists in India as well as abroad. The land and property taxation has many variants. The countries have different orient of land and property taxation. Some of the types levied by Western, European and Asian countries, are namely property taxation on buildings, property taxation on increment in the value of buildings due to improvements carried out by the governments or other agencies of the governments. Tax on land and buildings, site value taxation on improved and non-improved lands, real estate taxation on land and buildings, graded taxation on real estate, as well as on site values. In the book under review B. Nanjudaiya narrates, of course very briefly, the experiences of many countries in implementation of these types of taxation. He divides his study in 14 short chapters. In first four chapters he discusses the site value taxation and experience of Australia, New Zealand and Jamaica. He occasionally points out the effect of this tax on urban improvement and removal of slums, its effect on holding of land for speculative purposes etc. The next three chapters discuss the graded taxation on real estates in Pittsburg, Howai and Halifax of Nova Scotia. In these chapters, he narrates the implementation and operational aspects of these taxes and briefly points out its effect on utilisation of land. He mentions that the success of this tax in effecting the urban improvement in these States is also due to other complimentary agencies like city/urban development unit.

In another three chapters he narrates the experience of U.K. and taxation of increments in land building values in a little detail. He also explains the working of valuation departments and mentions about the training of persons in the evaluation unit. In the next chapter he discusses some alternatives to valuation as suggested by Koldar from U.K. and Herberger Strasma for USA. The former suggests that valuation of the property should be done by the owner of the property on the basis of market value and report the same to the valuation department. If the government feels that value reported by the owner is under estimation, it might ask the real estate agents to quote the value of the property at which they are prepared to buy. The later in their formula suggest that in case the government feels that owner of the property has reported value of the property less than what government feels, the government can buy that at the price. However, the government can also give option to the owner to buy the same property by paying an additional 20 per cent of the stated value of the property. Both these alternatives, however, have their own limitations.

Nevertheless, they give some way out for traditional method of valuation of property and changing taxes on that.

In the next two chapters, author talks about what India can learn from the experiences of these countries. In this author feels that the experience of Jamaica and other countries about the site value fixation is still not matured and therefore working of this tax in these countries should be further watched. He appears to be much impressed with the method of valuation of property in U.K. and trained valuation personnels in the valuation department. He states credit for better trained personnel may be given to the universities that imparted training in property valuation. The degree carries a prestige in the valuation department. He feels that India can also benefit from the experience of U.K. Indian Universities can also undertake such programme which might be much useful for the implementation of in variant of property tax in India. Author also discusses about the working of Delhi Development Authority and gives his views about urban land ceiling act which was to be enacted, when author was writing on this topic which has now come into force. The study tells about the experiences in implementation of property tax and variants in the various countries. It however lacks a depth economic analysis of any types of property land taxation. No study has been cited/narrated which had carried out an economic anylysis on these taxation in some of the above stated countries. Nevertheless, the study is a good information booklet for the general reader.

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PROPERTY TAX

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